



STEED ORIENTAL (HOLDINGS) COMPANY LIMITED

駿東（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8277



Interim Report
2017



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This report, for which the directors (the "Directors") of Steed Oriental (Holdings) Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 September 2017, together with comparative figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

		Three months ended 30 September		Six months ended 30 September	
	NOTES	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	45,890	37,375	88,649	74,936
Cost of sales		(39,662)	(34,018)	(75,593)	(68,151)
Gross profit		6,228	3,357	13,056	6,785
Other gains/(losses)		40	(8)	488	(836)
Selling expenses		(1,512)	(1,087)	(3,077)	(1,996)
Administrative and other expenses		(5,498)	(6,023)	(10,223)	(10,981)
(Loss)/profit from operations		(742)	(3,761)	244	(7,028)
Finance costs	4	(49)	(318)	(55)	(672)
(Loss)/profit before taxation	5	(791)	(4,079)	189	(7,700)
Income tax	6	(247)	531	(862)	566
Loss for the period attributable to equity shareholders of the Company		(1,038)	(3,548)	(673)	(7,134)



		Three months ended 30 September		Six months ended 30 September	
	NOTES	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Other comprehensive income/(expense)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translating foreign operations		1,367	(299)	2,721	(1,312)
Available-for-sale securities:					
Net movement in the fair value reserve		–	(28)	–	(19)
Other comprehensive income/(expense) for the period		1,367	(327)	2,721	(1,331)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company		329	(3,875)	2,048	(8,465)
Loss per share	8				
Basic and diluted (HK cents)		(0.47)	(1.77)	(0.31)	(3.56)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	NOTES	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		19,972	16,252
Lease prepayments		28,644	27,824
Other non-current assets		691	1,065
		49,307	45,141
Current assets			
Trading securities		407	351
Inventories		19,945	25,008
Lease prepayment		615	591
Trade and other receivables	9	23,209	19,898
Income tax recoverable		10	751
Cash at bank and on hand		18,545	20,897
		62,731	67,496
Current liabilities			
Trade and other payables	10	17,980	22,271
Bank and other borrowings	11	3,972	2,256
Income tax payable		954	959
		22,906	25,486



	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
NOTES		
Net current assets	39,825	42,010
Total assets less current liabilities	89,132	87,151
Non-current liabilities		
Deferred tax liabilities	499	566
NET ASSETS	88,633	86,585
CAPITAL AND RESERVES		
Share capital	2,187	2,187
Reserves	86,446	84,398
TOTAL EQUITY	88,633	86,585

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

Attributable to equity shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2017 (audited)	2,187	72,403	-	41,355	-	(4,747)	(24,613)	86,585
Changes in equity for the six months ended 30 September 2017:								
Loss for the period	-	-	-	-	-	-	(673)	(673)
Other comprehensive income for the period	-	-	-	-	-	2,721	-	2,721
	-	-	-	-	-	2,721	(673)	2,048
Balance at 30 September 2017 (unaudited)	2,187	72,403	-	41,355	-	(2,026)	(25,286)	88,633
Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2016 (audited)	2,000	51,628	2,852	41,355	(162)	(2,022)	(12,740)	82,911
Changes in equity for the six months ended 30 September 2016:								
Loss for the period	-	-	-	-	-	-	(7,134)	(7,134)
Other comprehensive expense for the period	-	-	-	-	(19)	(1,312)	-	(1,331)
Total comprehensive expense for the period	-	-	-	-	(19)	(1,312)	(7,134)	(8,465)
Equity settled share-based payments	-	-	304	-	-	-	-	304
Shares issued under share option scheme	3	273	-	-	-	-	-	276
Transfer on exercise of share options	-	188	(188)	-	-	-	-	-
Cancellation of share options	-	2,968	(2,968)	-	-	-	-	-
	3	3,429	(2,852)	-	-	-	-	580
Balance at 30 September 2016 (unaudited)	2,003	55,057	-	41,355	(181)	(3,334)	(19,874)	75,026



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash used in operating activities	(238)	(6,500)
Net cash used in investing activities	(3,792)	(13,505)
Net cash generated from/(used in) financing activities	1,661	(6,392)
Net decrease in cash and cash equivalents	(2,369)	(26,397)
Cash and cash equivalents at 1 April	20,897	70,735
Effect of foreign exchange rate changes	17	(84)
Cash and cash equivalents at 30 September	18,545	44,254



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1 CORPORATE INFORMATION

Steed Oriental (Holdings) Company Limited was incorporated in the Cayman Islands on 7 August 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM of the Stock Exchange on 23 February 2015. The Group principally engages in the sourcing, manufacturing and sale of plywood products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.



(b) Basis of preparation of the financial statements

The consolidated financial statements for the six months ended 30 September 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments and derivative financial instruments are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The amount of each significant category of revenue is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Sales of general plywood	28,970	26,902	54,047	52,281
Sales of packing plywood	7,587	6,470	13,933	13,126
Sales of structural panel	5,220	298	12,018	1,007
Sales of floor base	3,868	3,584	8,227	8,386
Others	245	121	424	136
	45,890	37,375	88,649	74,936

The following table sets out information about the geographical location of the Group's revenue from external customers which is presented based on the location at which the goods are delivered:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Japan	40,832	33,790	77,601	67,025
Thailand	2,141	1,645	3,310	3,077
Hong Kong	1,608	1,303	3,226	2,772
Other countries	1,309	637	4,512	2,062
	45,890	37,375	88,649	74,936

4 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interests on bank borrowings	49	317	55	669
Interests on a finance lease	–	1	–	3
	49	318	55	672

5 (LOSS)/PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(Loss)/profit before taxation has been arrived at after charging:				
Directors' remuneration	414	532	828	1,453
Other staff costs	4,106	3,532	7,797	7,025
Retirement benefit schemes contributions for other staff	338	316	645	646
Share-based payments for other staff	–	77	–	241
	4,858	4,457	9,270	9,365
Release of prepaid lease payment	153	104	302	186
Cost of inventories recognised as expense	39,662	34,018	75,593	68,151
Depreciation of property, plant and equipment				
– owned assets	615	496	1,221	1,001
– leased assets	66	66	131	131
	681	562	1,352	1,132
Operating lease rentals in respect of rented premises	491	488	968	985

6 INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current taxation:				
– Provision for Corporate Income Tax of the People's Republic of China (the "PRC") for the period	103	(547)	648	(547)
– Provision for Hong Kong Profits Tax for the period	203	6	281	12
	306	(541)	929	(535)
Deferred taxation:				
– Origination and reversal of temporary differences	(24)	–	(22)	–
– The PRC Withholding Tax on retained profits to be distributed	(35)	10	(45)	(31)
	(59)	10	(67)	(31)
	247	(531)	862	(566)

Notes:

- The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 September 2017 (2016: 16.5%).
- The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2017 (2016: 25%).

7 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2017.

8 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to the equity shareholders of the Company and the weighted average of the ordinary shares in issue during the period as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Loss attributable to the equity shareholders of the Company	(1,038)	(3,548)	(673)	(7,134)

Weighted average number of ordinary shares

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Issued ordinary shares at 1 April	218,733	200,000	218,733	200,000
Effect of shares issued under share option scheme	–	333	–	193
Weighted average number of ordinary shares at 30 September	218,733	200,333	218,733	200,193

(b) Diluted loss per share

The diluted loss per share for the three months ended and six months ended 30 September 2017 has not been presented as there were no potential dilutive ordinary shares.

The diluted loss per share for the three months ended and six months ended 30 September 2016 has not taken into account the effect of the outstanding share options as it would increase the loss per share, hence anti-dilutive.

9 TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade receivables due from third parties	7,751	3,699
Less: allowance for doubtful debts	(103)	(100)
	7,648	3,599
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	15,031	16,457
– Others	1,461	738
	16,492	17,195
Less: allowance for doubtful debts	(931)	(896)
	15,561	16,299
	23,209	19,898

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within 30 days	7,648	3,599

The Group usually accepts letters of credit issued by commercial banks to facilitate payment in its trade with overseas customers and no credit period is granted to these customers. For other customers, credit period ranging from 30-90 days is granted from date of delivery of goods.

10 TRADE AND OTHER PAYABLES

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	11,289	10,143
– Amounts due to a related party	302	302
	11,591	10,445
Other payables and accrued expenses:		
– Payables for staff related costs	2,546	2,503
– Amounts due to related parties (note (i))	–	4,781
– Amounts due to a director (note (ii))	1,185	–
– Payables for acquisition of property, plant and equipment	363	1,789
– Other accruals and payables	2,155	2,413
	6,249	11,486
Advances received from customers	140	340
	17,980	22,271

Note:

- (i) Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) Amounts due to a director are unsecured, non-interest bearing and have no fixed terms of repayment.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within 30 days	7,328	6,174
31 to 60 days	1,306	855
61 to 90 days	308	100
Over 90 days	2,649	3,316
	11,591	10,445

11 BANK AND OTHER BORROWINGS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Bank borrowings:		
– Secured	–	2,256
– Unsecured	–	–
	–	2,256
Other borrowings:		
– Secured	3,972	–
	3,972	2,256

12 RELATED PARTY TRANSACTION

In addition to the transactions and balances disclosed elsewhere in the financial statements, the material related party transactions entered into by the Group during the year are set out below.

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Operating lease expenses	138	276
Advances from a related party	–	4,700
Advances to a related party	1,560	–



MANAGEMENT DECISIONS AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products. The Group's major plywood products can be categorised into (i) general plywood used in interior applications of buildings and manufacture of wooden furniture for home and office; (ii) packing plywood used as packaging material; (iii) structural panel used for construction; (iv) floor base used for flooring; and (v) other plywood products.

The competition in the plywood market among countries were still keen, fortunately, the plywood imports market in Japan began its sluggish pace of recovery, though the upwards trend is not stable, and through the effort of the Group, the sales in other markets also recorded considerable growth, our sales volume of plywood products increased by about 20.6% from approximately 22,921 cubic meters for the six months ended 30 September 2016 to approximately 27,649 cubic meters for the six months ended 30 September 2017. The Group will continue to closely look at the performance of the Japan's plywood imports market in the forthcoming few months. The decrease in the unit costs of sales resulting in the increase in the gross profit margin of approximately 5.6 percentage points to approximately 14.7% for the six months ended 30 September 2017 (2016: approximately 9.1%).

To cope with the continued keen competition in the plywood market among countries, the Group continues seeking business opportunities in other potential markets like Taiwan to expand the customer base.

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the Forest Stewardship Council ("FSC") certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking to access to environmentally and socially aware markets.

Moreover, the Group will enhance productivity via different means, such as reducing staff costs through natural turnover, strengthening service quality control and improving its support to customers. Apart from that, the Group will also endeavour to promote a culture of continuous improvement and automation of internal processes so as to improve efficiency and reduce costs. It is expected that the various income-generating and cost-saving measures will help in the improvement in the performance of the Group.



FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2017, the Group recorded the revenue of approximately HK\$88.6 million, representing an approximately 18.3% increase comparing to the previous period (2016: approximately HK74.9 million). The increase was mainly attributable to a rise in orders received from the existing customers led by the strengthened plywood demand from Japan.

Gross profit

The gross profit margin of the Group increased from approximately 9.1% for the six months ended 30 September 2016 to approximately 14.7% for the six months ended 30 September 2017. The major reason for such increase was due to the decrease in unit cost of sales in the six months ended 30 September 2017.

Selling expenses

The selling expenses increased by approximately 55% from approximately HK\$2 million for the six months ended 30 September 2016 to approximately HK\$3.1 million for the six months ended 30 September 2017. The increase was mainly contributed by the increase in the sales volume of plywood products.

Loss for the period

The loss of the Group decreased by approximately HK\$6.4 million from approximately HK\$7.1 million for the six months ended 30 September 2016 to a loss of approximately HK\$0.7 million for the six months ended 30 September 2017.

The decrease was mainly due to i) the increase in gross profit as the combined effect of the growth in sales volume and decrease in unit cost of sales as described above resulting the gross profit increased by approximately HK\$6.3 million to approximately HK\$13.1 million for the six months ended 30 September 2017 (2016: approximately HK\$6.8 million); ii) the increase in net other gains amounting to approximately HK\$1.3 million; iii) the decrease in the administrative and other expenses by approximately HK\$0.8 million to approximately HK\$10.2 million for the six months ended 30 September 2017 (2016: approximately HK\$11 million); and iv) the full repayment of the approximately HK\$33.5 million unsecured bank loan by the end of November 2016 resulting the decrease in the finance costs by approximately HK\$0.6 million to approximately HK\$0.1 million for the six months ended 30 September 2017 (2016: approximately HK\$0.7 million). Such decrease was offset by i) the increase in the selling expenses by approximately HK\$1.1 million to approximately HK\$3.1 million for the six months ended 30 September 2017 (2016: approximately HK\$2 million); and ii) the increase in the income tax by approximately HK\$1.5 million to approximately HK\$0.9 million net tax charge for the six months ended 30 September 2017 (2016: approximately HK\$0.6 million net tax credit).



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations and bank borrowings. Going forward, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities made available to the Group and net proceeds from the placing of a total of 50,000,000 new shares of the Company on 23 February 2015 ("Listing Date") at the placing price of HK\$1.20 per share (the "Placing") and the placing of a total of 18,400,000 new shares of the Company which was completed on 4 October 2016 at the placing price of HK\$1.13 per share.

The primary uses of cash have been, and are expected to continue being, operating costs and capital expenditures. As at 30 September 2017, the current assets of the Group comprised primarily of cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 30 September 2017, the Group maintained cash and cash equivalents amounting to approximately HK\$18.5 million (as at 31 March 2017: approximately HK\$20.9 million). Net current assets decreased slightly from approximately HK\$42 million as at 31 March 2017 to approximately HK\$39.8 million as at 30 September 2017.

As at 30 September 2017, the Group's total bank and other borrowings, all being denominated in Renminbi, Hong Kong dollars or United States dollars, amounted to approximately HK\$4.0 million (as at 31 March 2017: approximately HK\$2.3 million).

As at 30 September 2017, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised of issued share capital and reserves.

As at 30 September 2017, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial period) was approximately 4.6% (as at 31 March 2017: approximately 2.6%).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2017, the Group's trade receivables of approximately HK\$4.0 million (as at 31 March 2017: HK\$nil) were pledged to secure export bills discounted with full recourse.



CONTINGENT LIABILITIES

As at 30 September 2017, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 30 September 2017, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$30.4 million (as at 31 March 2017: approximately HK\$32.1 million).

SIGNIFICANT INVESTMENT

During the six months ended 30 September 2017, the Group did not have any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

No material acquisitions or disposals of its subsidiaries or affiliated companies were made by the Group for the six months ended 30 September 2017.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 12 February 2015 (the "Prospectus") with the Group's actual business progress for the period from 1 April 2017 to 30 September 2017 is set out below:

Business objectives	Actual progress
Construction of a new production plant to expand production capacity in the PRC	The Group has legally obtained the land use rights of a parcel of land in the PRC and started the construction of the new production plant.
Expansion in clientele and sale network, as well as our products portfolio	The Group has made regular visits to major customers in order to maintain a close relationship with them.
Optimising the manufacturing capabilities in the PRC	The Group has maintained the existing production capacity to meet customers' demand, and is looking for any potential business in relation to the expanding of the Group's trading capacity, including any possible increase in the production capacity or increase in the source of trading.



USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company was successfully listed on the GEM on the Listing Date by way of the Placing of a total of 50,000,000 new shares in the Company at the placing price of HK\$1.20 per share of the Company and the net proceeds raised from the Placing were about HK\$50.1 million after deducting the listing-related expenses.

In line with that disclosed in the Prospectus, the Company intended to apply the net proceeds raised from the Placing as to (i) approximately 55.5% of the net proceeds or approximately HK\$27.8 million for the construction of a new production plant in the PRC; (ii) approximately 34.9% of the net proceeds or approximately HK\$17.5 million for the acquisition of machinery and equipment for the new production plant in the PRC; and (iii) approximately 9.6% of the net proceeds or approximately HK\$4.8 million for working capital and other general corporate purpose.

As at 30 September 2017, the Group had utilised approximately 9.6% of the net proceeds from the Placing or approximately HK\$4.8 million for working capital and other general corporate purpose. The Group had also utilised approximately 55.5% of the net proceeds from the Placing or approximately HK\$27.8 million for the construction of a new production plant in the PRC. For the portion of net proceeds that the Company intended to apply in the acquisition of machinery and equipment for the new production plant in the PRC, the Group had utilised approximately HK\$3.2 million and the remaining amount of approximately HK\$14.3 million will continue to be applied for the acquisition of machinery and equipment for the new production plant in the PRC.

As at the date of this report, the unutilised proceeds were placed with banks in Hong Kong and the PRC as short-term deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had a total of 174 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. The emoluments of the Directors are determined with reference to, among other things, the prevailing market conditions, the experience, roles and responsibilities of the Directors with the Company. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.



The Company conditionally approved and adopted a share option scheme on 9 February 2015 (the “Share Option Scheme”) under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Company’s shares. As of 30 September 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

FUTURE PROSPECTS

The proposed new production plant in Dong Mu Shan Industrial Park is expected to have a gross area of approximately 31,390 square meters and the new production base is expected to have an annual production capacity of approximately 99,456 cubic meters of plywood products. Up to the date of this report, the floor plan design was approved by the regulatory authority and the preliminary construction work is currently in progress. The management expects that the construction will be completed in around early of 2018.

On 16 June 2015, Jiangmen Urban and Rural Planning Bureau* (江門市城鄉規劃局) issued a confirmation permitting the extension of the use of the leased properties of the Group which are located at No. 29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the PRC (the “Leased Properties”) from 31 May 2016 to 31 May 2018 on the condition that Jiangmen Changda Wood Products Co., Ltd.* (江門市昌達木業有限公司) complies with the relevant laws and regulations regarding environmental protection, fire prevention and safety supervision. The Group is allowed to use the Leased Properties under the relevant lease agreements until 31 May 2018.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries, the management is also looking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. In order to expand our customer base together with the business growth, certain trading subsidiaries of the Group have obtained the FSC certification (while the production plant of the Group has renewed the FSC certification in March 2016) by which they can be involved in the chains of trade of the FSC products. The Directors believe that the Group is in a more advantageous position to further develop and expand its market and products than the small-scale local enterprises.

At the current stage, the Board will maintain the Group’s existing principal activities, and will review the Group’s business and operations and seek for new opportunities to enhance and strengthen the business of the Group, the Board may consider to make any changes that it deems necessary or appropriate to the Group’s businesses and operations to increase the value of the Group.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2017, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary share held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations		
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	30,760,425	–	30,760,425	14.06%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 218,733,333 issued shares as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was recorded in the register required to be kept by the Company under Section 352 of the SFO, or was otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors, the controlling shareholder or the substantial shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Code during the six months ended 30 September 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2017, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

SHARE OPTION SCHEME

The Company conditionally approved and adopted the Share Option Scheme on 9 February 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.



The purpose of the Share Option Scheme is to provide an incentive or reward for eligible participants (any full-time or part-time employees, consultants or potential employees, consultants, executives or officers of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of the Board has contributed or will contribute to the Group) (the “Eligible Participants”) for their contribution or potential contribution to the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, grant options to the Eligible Participants to subscribe for shares in the Company at a price determined by the Directors and not less than the highest of:

- (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;
- (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and
- (iii) the nominal value of the shares of the Company on the date of grant.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue immediately upon completion of the Placing which was 20,000,000 shares, representing approximately 9.14% of the issued shares of the Company as at the date of this report. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 30% of the shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).



Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the GEM Listing Rules, the Board shall not grant options to any Eligible Participants if the acceptance of those options would result in the total number of shares issued and to be issued to those Eligible Participants on exercise of the options during any 12-month period up to the offer date exceeding 1% of the total shares then in issue.

Options granted must be taken up within 14 days of that date of grant, upon payment of HK\$1 in aggregate as consideration for the options granted.

The Share Option Scheme will be expired on 23 February 2025.

As at 1 April 2017, there was no outstanding share option of the Company. During the six months ended 30 September 2017, no share options were granted pursuant to the Share Option Scheme. As at 30 September 2017, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 September 2017 and up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee on 9 February 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the audit committee are (among other things) to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Zhu Da (Chairman), Mr. Ding Hongquan and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2017 and recommended to the Board for approval.

By Order of the Board
Steed Oriental (Holdings) Company Limited
Sun Xue Song
Chairman and Executive Director

Hong Kong, 8 November 2017

As at the date of this report, the Board comprises Ms. Sun Xue Song and Mr. Xue Zhao Qiang as executive Directors; Mr. Huang Dong Sheng as a non-executive Director; and Mr. Ding Hongquan, Ms. Dong Ping and Mr. Zhu Da as independent non-executive Directors.