



# 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  
2018



## CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2018, together with comparative figures for the corresponding periods in 2017 as follows:

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

*For the three months and six months ended 30 September 2018*

		Three months ended 30 September		Six months ended 30 September	
	NOTES	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	71,292	45,890	136,036	88,649
Cost of sales		(51,530)	(39,662)	(113,147)	(75,593)
Gross profit		19,762	6,228	22,889	13,056
Other income		467	40	634	488
Selling expenses		(1,909)	(1,512)	(3,847)	(3,077)
Administrative and other expenses		(7,392)	(5,498)	(13,540)	(10,223)
Profit/(loss) from operations		10,928	(742)	6,136	244
Finance costs	4	(272)	(49)	(583)	(55)
Profit/(loss) before taxation	5	10,656	(791)	5,553	189
Income tax	6	(1,841)	(247)	(2,316)	(862)
Profit/(loss) for the period attributable to equity shareholders of the Company		8,815	(1,038)	3,237	(673)




NOTES	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Other comprehensive (expense)/income <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translating foreign operations	(3,481)	1,367	(7,998)	2,721
Other comprehensive (expense)/income for the period	(3,481)	1,367	(7,998)	2,721
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company	5,334	329	(4,761)	2,048
Profit/(loss) per share Basic and diluted (HK cents)	4.03	(0.47)	1.48	(0.31)

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	NOTES	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		42,660	38,805
Lease prepayments		27,217	30,193
Other non-current assets		38,517	1,869
		<b>108,394</b>	<b>70,867</b>
<b>Current assets</b>			
Trading securities		308	420
Inventories		60,339	30,454
Lease prepayment		598	656
Trade and other receivables	9	14,648	23,459
Cash at bank and on hand		45,290	19,974
Restricted deposits		–	28
		<b>121,183</b>	<b>74,991</b>
<b>Current liabilities</b>			
Trade and other payables	10	74,749	28,704
Derivative financial instruments		–	83
Bank and other borrowings	11	15,201	16,379
Obligations under a finance lease		137	–
Income tax payable		2,291	524
		<b>92,378</b>	<b>45,690</b>



	NOTES	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Net current assets		28,805	29,301
Total assets less current liabilities		137,199	100,168
Non-current liabilities			
Bank and other borrowings	11	48,819	7,880
Deferred tax liabilities		643	474
Obligations under a finance lease		474	–
Other non-current liabilities		1,421	1,211
		51,357	9,565
NET ASSETS		85,842	90,603
CAPITAL AND RESERVES			
Share capital		2,187	2,187
Reserves		83,655	88,416
TOTAL EQUITY		85,842	90,603

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2018 (audited)	2,187	72,403	41,355	3,114	(28,456)	90,603
Changes in equity for the six months ended 30 September 2018:						
Profit for the period	-	-	-	-	3,237	3,237
Other comprehensive expense for the period	-	-	-	(7,998)	-	(7,998)
Total comprehensive (expense)/income	-	-	-	(7,998)	3,237	(4,761)
Balance at 30 September 2018 (unaudited)	2,187	72,403	41,355	(4,884)	(25,219)	85,842

	Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other 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
Total comprehensive income/(expense)	-	-	-	2,721	(673)	2,048
Balance at 30 September 2017 (unaudited)	2,187	72,403	41,355	(2,026)	(25,286)	88,633



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	24,086	(238)
Net cash used in investing activities	(39,476)	(3,792)
Net cash generated from financing activities	41,689	1,661
Net increase/(decrease) in cash and cash equivalents	26,299	(2,369)
Cash and cash equivalents at 1 April	19,974	20,897
Effect of foreign exchange rate changes	(983)	17
Cash and cash equivalents at 30 September	45,290	18,545





## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 September 2018*

### **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 and trading of construction materials.

### **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 2018 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure is included in the annual report to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Sales of general plywood	50,214	28,970	100,596	54,047
Sales of packing plywood	2,194	7,587	5,781	13,933
Sales of structural panel	5,112	5,220	10,304	12,018
Sales of floor base	1,193	3,868	5,120	8,227
Trading of construction materials	12,372	–	13,289	–
Others	207	245	946	424
	71,292	45,890	136,036	88,649

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Japan	56,048	40,832	116,332	77,601
The PRC	13,085	803	14,748	1,542
Thailand	641	2,141	1,711	3,310
Hong Kong	1,272	1,608	2,425	3,226
Other countries	246	506	820	2,970
	71,292	45,890	136,036	88,649

#### 4 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interests on bank borrowings	265	49	558	55
Interests on a finance lease	7	–	25	–
	<b>272</b>	<b>49</b>	<b>583</b>	<b>55</b>

#### 5 PROFIT/(LOSS) BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit/(loss) before taxation has been arrived at after charging:				
Directors' remuneration	120	414	240	828
Other staff costs	4,475	4,106	9,291	7,797
Retirement benefit schemes contributions for other staff	397	338	1,028	645
	<b>4,992</b>	<b>4,858</b>	<b>10,559</b>	<b>9,270</b>
Release of prepaid lease payment	151	153	312	302
Cost of inventories	39,721	39,662	100,430	75,593
Depreciation of property, plant and equipment				
– owned assets	501	615	1,082	1,221
– leased assets	36	66	60	131
	<b>537</b>	<b>681</b>	<b>1,142</b>	<b>1,352</b>
Operating lease rentals in respect of rented premises	<b>484</b>	<b>491</b>	<b>996</b>	<b>968</b>

## 6 INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current taxation:				
– Provision for Corporate Income Tax of the People's Republic of China (the "PRC") for the period	706	103	1,032	648
– Provision for Hong Kong Profits Tax for the period	726	203	1,115	281
	1,432	306	2,147	929
Deferred taxation:				
– Origination and reversal of temporary differences	–	(24)	(8)	(22)
– The PRC Withholding Tax on retained profits to be distributed	409	(35)	177	(45)
	409	(59)	169	(67)
	1,841	247	2,316	862

Notes:

- The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% (2017: 16.5%) for the six months ended 30 September 2018.
- 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% (2017: 25%) for the six months ended 30 September 2018.

## 7 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2018.

## 8 PROFIT/(LOSS) PER SHARE

### (a) Basic profit/(loss) per share

The basic profit/(loss) per share is calculated based on the profit/(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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit/(loss) attributable to the equity shareholders of the Company	8,815	(1,038)	3,237	(673)

### *Weighted average number of ordinary shares*

	Three months ended 30 September		Six months ended 30 September	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of ordinary shares at 1 April and 30 September	218,733	218,733	218,733	218,733

### (b) Diluted profit/(loss) per share

There was no difference between the basic and diluted profit per share as there were no dilutive potential shares outstanding for the three months ended and six months ended 30 September 2018.

There was no difference between the basic and diluted loss per share as there were no dilutive potential shares outstanding for the three months ended and six months ended 30 September 2017.

## 9 TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade receivables due from third parties	9,006	6,049
Less: allowance for doubtful debts	(101)	(110)
	8,905	5,939
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	3,325	16,964
– Others	3,323	1,549
	6,648	18,513
Less: allowance for doubtful debts	(905)	(993)
	5,743	17,520
	14,648	23,459

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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within 30 days	8,875	5,939
Over 90 days	30	–
	8,905	5,939

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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	12,974	10,278
Other payables and accrued expenses:		
– Payables for staff related costs	3,764	3,337
– Amounts due to related parties (note (i))	51,545	6,600
– Payables for acquisition of property, plant and equipment	–	4,469
– Other accruals and payables	5,124	3,789
	60,433	18,195
Advances received from customers	1,342	231
	74,749	28,704

Note:

- (i) Amounts due to related parties 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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within 30 days	8,161	7,214
31 to 60 days	2,254	616
61 to 90 days	389	120
Over 90 days	2,170	2,328
	12,974	10,278



## 11 BANK AND OTHER BORROWINGS

(a) The Group's short-term bank and other borrowings are analysed as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Bank borrowings		
– Secured	9,347	10,019
Other borrowings		
– Discounted export bills	4,829	3,180
– Import bills advance	–	2,292
	14,176	15,491
Add: Current portion of long-term bank borrowings	1,025	888
	15,201	16,379

(b) The Group's long-term bank and other borrowings are analysed as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Bank borrowings:		
– Secured	7,899	8,768
Other borrowings		
– Unsecured	39,895	–
	47,794	8,768
Less: Current portion of long-term bank borrowings	1,025	888
	48,819	7,880



## 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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Operating lease expenses	138	276
Advances from related parties	49,480	8,371
Repayments to related parties	(4,413)	(4,750)
Loans to related parties	–	2,031
Interest income	15	20
Donation to a related party	–	236



## MANAGEMENT DECISIONS AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and trading of construction materials. 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 16% from approximately 27,649 cubic meters for the six months ended 30 September 2017 to approximately 31,965 cubic meters for the six months ended 30 September 2018. The Group will continue to closely look at the performance of the Japan's plywood imports market in the forthcoming few months. Because the decrease in Renminbi exchange rate has led to a decrease in the unit cost of sales as compared to the six months ended 30 September 2017, the gross profit margin increased by approximately 2.1 percentage points to approximately 16.8% for the six months ended 30 September 2018 (2017: approximately 14.7%).

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 represent 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 2018, the Group recorded the revenue of approximately HK\$136.0 million (2017: approximately HK\$88.6 million), representing an approximately 53.5% increase comparing to the previous period. The increase was mainly attributable to a rise in orders received from the existing customers led by the strengthened plywood demand from Japan and the exploration of the construction materials market in Northern China.

### Gross profit

The gross profit margin of the Group increased from approximately 14.7% for the six months ended 30 September 2017 to approximately 16.8% for the six months ended 30 September 2018. The major reason for such increase was the decrease in unit cost of sales in the six months ended 30 September 2018.

### Selling expenses

The selling expenses increased by approximately 22.6% from approximately HK\$3.1 million for the six months ended 30 September 2017 to approximately HK\$3.8 million for the six months ended 30 September 2018. The increase was mainly contributed by the increase in the sales volume of plywood products.

### Profit/(loss) for the period

The Group recorded a profit of approximately HK\$3.2 million for the six months ended 30 September 2018 compared to a loss of approximately HK\$0.7 million for the six months ended 30 September 2017.

The change 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\$9.8 million to approximately HK\$22.9 million for the six months ended 30 September 2018 (2017: approximately HK\$13.1 million); Such increase was offset by i) the increase in the selling expenses by approximately HK\$0.7 million to approximately HK\$3.8 million for the six months ended 30 September 2018 (2017: approximately HK\$3.1 million); ii) the increase in administrative and other expenses by approximately HK\$3.3 million to approximately HK\$13.5 million for the six months ended 30 September 2018 (2017: approximately HK\$10.2 million) and iii) the increase in the income tax by approximately HK\$1.4 million to approximately HK\$2.3 million for the six months ended 30 September 2018 (2017: approximately HK\$0.9 million).



## 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 and other borrowings. Going forward, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking facilities as well as other external debt financing made available to the Group.

The primary uses of cash have been, and are expected to continue being, operating costs and capital expenditures. As at 30 September 2018, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily trade and other payables and bank and other borrowings.

As at 30 September 2018, the Group maintained cash and cash equivalents amounting to approximately HK\$45.3 million (as at 31 March 2018: approximately HK\$20.0 million). Net current assets slightly decreased from approximately HK\$29.3 million as at 31 March 2018 to approximately HK\$28.8 million as at 30 September 2018.

As at 30 September 2018, the Group's total bank and other borrowings, all being denominated in Renminbi, Hong Kong dollars or United States dollars, amounted to approximately HK\$64.0 million (as at 31 March 2018: approximately HK\$24.3 million).

As at 30 September 2018, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised issued share capital and reserves.

As at 30 September 2018, the Group's gearing ratio (calculated by dividing total interest-bearing debt by total equity as at the end of financial period) was approximately 75.3% (as at 31 March 2018: approximately 26.8%). The increase in gearing ratio was mainly due to the borrowing of a new long-term loan from an independent third party amounting to approximately HK\$39.9 million.



### **CHARGES ON THE GROUP'S ASSETS**

As at 30 September 2018, the Group's trade receivables of approximately HK\$4.8 million (as at 31 March 2018: approximately HK\$3.2 million) were charged to secure discounted export bills with full recourse.

As at 30 September 2018, the Group's land use rights of carrying amount of approximately HK\$27.8 million (as at 31 March 2018: approximately HK\$30.8 million) and restricted deposits of approximately HK\$Nil (as at 31 March 2018: approximately HK\$28,000) were charged to secure bank borrowings of approximately HK\$19.3 million.

### **CONTINGENT LIABILITIES**

As at 30 September 2018, there were no significant contingent liabilities for the Group.

### **CAPITAL COMMITMENTS**

As at 30 September 2018, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$6.6 million (as at 31 March 2018: approximately HK\$14.1 million).

### **SIGNIFICANT INVESTMENT**

During the six months ended 30 September 2018, 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 2018.

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY**

On 31 July 2018 (after trading hours), Hebei Jiapin Trading Limited\* (河北迦品貿易有限公司) ("the Purchaser"), a subsidiary of the Company and established in the PRC, and Shijiazhuang Yonghe Property Development Company Limited\* (石家莊雍和房地產開發有限公司) ("the Vendor"), a company established in the PRC with limited liability, entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the building No. 3 of Mancheng Project situated at No. 88 Xisanzhuang Street, Shijiazhuang\* (石家莊市西三莊街88號慢城項目3號商業全套房屋) at a consideration of RMB34,500,000.

The transaction constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. The transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.



For details please refer to the announcements of the Company dated 31 July 2018, 31 August 2018, 10 September 2018 and the circular of the Company dated 11 September 2018.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2018, the Group had a total of 150 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 2018, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

### **FOREIGN EXCHANGE EXPOSURE**

The trading of plywood products is conducted predominantly in United States dollars while the production costs are mainly denominated in Renminbi. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.



## 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 construction work is currently in progress. The management expects that the construction will be completed in around the end of March or early April next year.

As disclosed in the annual report of the Company for the year ended 31 March 2018 the current production plant of the Group is located at No.29 Gao Sha Middle Road, Jiangmen City, Guangdong Province, the PRC, the tenancy agreement of which has been renewed and would expire on 31 December 2018 (the “Current Tenancy”). In view of the delay in the construction of new production plant, the Group will sign a new tenancy agreement (the “New Tenancy”) with the landlord to extend the Current Tenancy to 30 June next year. It is expected that the New Tenancy can be signed before the expiry of the Current Tenancy. It is the intention of the Group that the production machineries and equipment would be relocated to the new production plant in Dong Mu Shan Industrial Park after the completion of its construction and the relocation would expect to be finished before 30 June next year, the Group considers that the proposed relocation of the production plant would not cause any material impact on the operation of the Group.

As disclosed in the announcements of the Company dated 31 July 2018, 31 August 2018, 10 September 2018 and the circular of the Company dated 11 September 2018, currently, customers of the Group are mainly scattered in Japan, Thailand and Hong Kong, and the Group plans to develop its market in Northern China. In recent years, the market in Northern China has been driven by favourable government policies such as the coordinated development for the Beijing-Tianjin-Hebei region. The Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region (《京津冀協同發展規劃綱要》) aims to achieve environmental sustainability, integrated transport services and industrial upgrading. In particular, the development of the new Xiong'an District has provided ample business opportunities for the sale of high quality wooden products such as plywood and wooden furniture to be used in the interior decoration of property development projects. To capture these business opportunities, the Group plans to expand its business to Northern China by strengthening its trading business and identifying suitable production plants to process the plywood products for the Group. The Group is considering to broaden its product mix to include wooden building components and wooden products such as furniture, doors and window frames and other interior fitting materials. It also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.





The Group has entered into sales contracts with a few customers in Hebei Province and Beijing City in July 2018. Going forward, the Group will also attend negotiations with government funded construction companies for the supply of wooden materials for construction and interior decoration use. In order to further strengthen sales efforts and to implement its expansion plan in the Northern China, a wholly-own subsidiary of the Group, Hebei Jiapin Trading Limited\* (河北迦品貿易有限公司), has entered into a sale and purchase agreement with Shijiazhuang Yonghe Property Development Company Limited\* (石家莊雍和房地產開發有限公司) to purchase, at the consideration of RMB34.5 million, the building No. 3 of Mancheng Project situated of No. 88 Xisanzhuang Street, Shijiazhuang\* (石家莊市西三莊街88號慢城項目3號商業全套房屋) as its office and as a showroom to exhibit the Group's products.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries and Northern China, 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 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.

\* For identification purpose only



## 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 2018, 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 2018.

Save as disclosed above, as at 30 September 2018, 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 2018, 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 2018, 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 2018.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30 September 2018, 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 a share option scheme (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 of 1 April 2018 and as of 30 September 2018, no share options were outstanding.

During the six months ended 30 September 2018, no share options were granted pursuant to the Share Option Scheme.

As at 30 September 2018, 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 2018 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. Wang Wei and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 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 2018

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