# STEED ORIENTAL (HOLDINGS) COMPANY LIMITED
# 駿東（控股）有限公司

(incorporated in the Cayman Islands with members' limited liability)
Stock Code: 8277


## Interim Report 2019

## 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 2019, together with comparative figures for the corresponding periods in 2018 as follows:

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

*For the three months and six months ended 30 September 2019*

| | | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | NOTES | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| Revenue | 3 | 59,928 | 71,292 | 98,419 | 136,036 |
| Cost of sales | | (51,343) | (51,530) | (85,223) | (113,147) |
| Gross profit | | 8,585 | 19,762 | 13,196 | 22,889 |
| Other (loss)/income | | (1,514) | 467 | (2,653) | 634 |
| Selling expenses | | (1,397) | (1,909) | (2,230) | (3,847) |
| Administrative and other expenses | | (9,196) | (7,392) | (18,390) | (13,540) |
| (Loss)/profit from operations | | (3,522) | 10,928 | (10,077) | 6,136 |
| Finance costs | 4 | (2,813) | (272) | (5,974) | (583) |
| (Loss)/profit before taxation | 5 | (6,335) | 10,656 | (16,051) | 5,553 |
| Income tax | 6 | 165 | (1,841) | 194 | (2,316) |
| (Loss)/profit for the period attributable to equity shareholders of the Company | | (6,170) | 8,815 | (15,857) | 3,237 |

| | NOTES | Three months ended 30 September 2019 HK$'000 (unaudited) | Three months ended 30 September 2018 HK$'000 (unaudited) | Six months ended 30 September 2019 HK$'000 (unaudited) | Six months ended 30 September 2018 HK$'000 (unaudited) |
|---|---|---|---|---|---|
| Other comprehensive expense | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | |
| Exchange differences arising on translating foreign operations | | (2,354) | (3,481) | (4,303) | (7,998) |
| Other comprehensive expense for the period | | (2,354) | (3,481) | (4,303) | (7,998) |
| Total comprehensive (expense)/income for the period attributable to equity shareholders of the Company | | (8,524) | 5,334 | (20,160) | (4,761) |
| (Loss)/profit per share | 8 | | | | |
| Basic and diluted (HK cents) | | (2.82) | 4.03 | (7.24) | 1.48 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

| | NOTES | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 212,069 | 226,610 |
| Lease prepayments | | 61,681 | 66,269 |
| Intangible assets | | 1,756 | 2,001 |
| Other non-current assets | | 2,089 | 1,171 |
| | | 277,595 | 296,051 |
| Current assets | | | |
| Trading securities | | 316 | 337 |
| Inventories | | 56,675 | 77,922 |
| Lease prepayment | | 1,322 | 1,406 |
| Contract assets | | – | 4,383 |
| Trade and other receivables | 9 | 12,330 | 15,942 |
| Cash at bank and on hand | | 10,979 | 14,005 |
| Other current assets | | 15,566 | 18,178 |
| | | 97,188 | 132,173 |
| Current liabilities | | | |
| Trade and other payables | 10 | 78,142 | 98,210 |
| Contract liabilities | | 3,376 | 1,992 |
| Derivative financial instruments | | 2,221 | 99 |
| Bank and other borrowings | 11 | 68,479 | 103,593 |
| Obligations under a finance lease | | 143 | 140 |
| Income tax payable | | 2,424 | 2,407 |
| | | 154,785 | 206,441 |

| | NOTES | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|---|
| Net current liabilities | | (57,597) | (74,268) |
| Total assets less current liabilities | | 219,998 | 221,783 |
| Non-current liabilities | | | |
| Bank and other borrowings | 11 | 67,795 | 72,032 |
| Deferred tax liabilities | | 6,042 | 6,286 |
| Deferred income | | 428 | 468 |
| Obligations under a finance lease | | 332 | 404 |
| Other non-current liabilities | | 77,219 | 54,251 |
| | | 151,816 | 133,441 |
| NET ASSETS | | 68,182 | 88,342 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 2,187 | 2,187 |
| Reserves | | 65,995 | 86,155 |
| TOTAL EQUITY | | 68,182 | 88,342 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

| | 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 2019 (audited) | 2,187 | 72,403 | 41,355 | (2,491) | (25,112) | 88,342 |
| Changes in equity for the six months ended 30 September 2019: | | | | | | |
| Loss for the period | – | – | – | – | (15,857) | (15,857) |
| Other comprehensive expense for the period | – | – | – | (4,303) | – | (4,303) |
| Total comprehensive expense | – | – | – | (4,303) | (15,857) | (20,160) |
| Balance at 30 September 2019 (unaudited) | 2,187 | 72,403 | 41,355 | (6,794) | (40,969) | 68,182 |

| | 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 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 |

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2019*

| | Six months ended 30 September | |
|---|---|---|
| | 2019<br>HK$'000<br>(unaudited) | 2018<br>HK$'000<br>(unaudited) |
| Net cash (used in)/generated from operating activities | (4,519) | 24,086 |
| Net cash used in investing activities | (6,483) | (39,476) |
| Net cash generated from financing activities | 8,370 | 41,689 |
| Net (decrease)/increase in cash and cash equivalents | (2,632) | 26,299 |
| Cash and cash equivalents at 1 April | 14,005 | 19,974 |
| Effect of foreign exchange rate changes | (394) | (983) |
| Cash and cash equivalents at 30 September | 10,979 | 45,290 |

## 1 CORPORATE INFORMATION

Steed Oriental (Holdings) Company Limited (the "Company") 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 of Hong Kong Limited (the "Stock Exchange") on 23 February 2015. The Company and its subsidiaries (collectively referred to as the "Group") principally engages in the sourcing, manufacturing and sale of plywood products and other wooden 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the six months ended 30 September 2019 comprise the Company and its subsidiaries.

As at 30 September 2019, the Group has net current liabilities of approximately HK$57.6 million. Considering that the two largest shareholders of the Company have agreed to provide continual financial support and adequate funds to the Group, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the accounting period of the Group from 1 April 2018 to 31 March 2019. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

#### *(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The adoption of HKFRS 9 does not have a significant impact on the opening balance of equity at 1 April 2018.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies (Continued)

#### *(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories and carrying amounts for each class of the Group's financial assets under HKFRS 9 are the same as those under HKAS 39 at 1 April 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies (Continued)

#### *(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

*b. Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets.

This change in accounting policy does not have a significant impact on the opening balance of equity at 1 April 2018 as compared with that recognised under HKAS 39 and accordingly, no additional ECLs has been recognised by the Group at 1 April 2018.

*c. Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– The assessment of the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies (Continued)

#### *(ii) HKFRS 15, Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and there is no impact to the opening balance of equity at 1 April 2018 on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers, whereas, revenue arising from construction contracts and provision of services was recognised over time.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Changes in accounting policies (Continued)

#### *(ii) HKFRS 15, Revenue from contracts with customers (Continued)*

*a. Timing of revenue recognition (Continued)*

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the opening balance as at 1 April 2018. However, in future periods it may have a material impact on certain made-to-order manufacturing arrangements with customers where the Group manufactures the products in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. These contracts therefore satisfy the criteria for recognising revenue over time during the manufacturing process, whereas previously the sales of goods was recognised at a point of time. There were no such arrangements previously until the Group acquired a subsidiary in March 2019 which has certain made-to-order wooden product arrangements with customers.

# 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (c) Changes in accounting policies (Continued)

### *(ii) HKFRS 15, Revenue from contracts with customers (Continued)*

*b. Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of assets and liabilities at 1 April 2018, and accordingly, no adjustment has been made in this regard.

### *(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

## 3 REVENUE AND SEGMENT REPORTING

Disaggregation of revenue from contracts with customers by major products is as follows:

| | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|
| | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| Sales of general plywood | 23,383 | 50,214 | 50,556 | 100,596 |
| Sales of packing plywood | 1,400 | 2,194 | 2,977 | 5,781 |
| Sales of structural panel | 15,836 | 14,585 | 17,912 | 19,777 |
| Sales of floor base | 609 | 1,193 | 814 | 5,120 |
| Others | 18,700 | 3,106 | 26,160 | 4,762 |
| | 59,928 | 71,292 | 98,419 | 136,036 |

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 | |
|---|---|---|---|---|
| | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| Japan | 29,519 | 56,048 | 57,352 | 116,332 |
| Mainland China | 27,528 | 13,085 | 35,613 | 14,748 |
| Thailand | 1,366 | 641 | 1,731 | 1,711 |
| Hong Kong | 1,470 | 1,272 | 3,215 | 2,425 |
| Other countries or areas | 45 | 246 | 508 | 820 |
| | 59,928 | 71,292 | 98,419 | 136,036 |

## 4 FINANCE COSTS

| | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|
| | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| Interests on bank borrowings | 2,808 | 265 | 5,963 | 558 |
| Interests on a finance lease | 5 | 7 | 11 | 25 |
| | 2,813 | 272 | 5,974 | 583 |

## 5 (LOSS)/PROFIT BEFORE TAXATION

| | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|
| | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| (Loss)/profit before taxation has been arrived at after charging: | | | | |
| Directors' remuneration | 120 | 120 | 240 | 240 |
| Other staff costs | 6,347 | 4,475 | 12,677 | 9,291 |
| Retirement benefit schemes contributions for other staff | 388 | 397 | 803 | 1,028 |
| | 6,855 | 4,992 | 13,720 | 10,559 |
| Release of prepaid lease payment | 144 | 151 | 293 | 312 |
| Cost of inventories | 51,343 | 39,721 | 85,223 | 100,430 |
| Depreciation of property, plant and equipment | | | | |
| – owned assets | 4,326 | 501 | 8,952 | 1,082 |
| – leased assets | 36 | 36 | 72 | 60 |
| | 4,362 | 537 | 9,024 | 1,142 |
| Operating lease rentals in respect of rented premises | 471 | 484 | 954 | 996 |

## 6 INCOME TAX

| | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|
| | 2019 HK$'000 | 2018 HK$'000 | 2019 HK$'000 | 2018 HK$'000 |
| Current taxation: | | | | |
| – Provision for Corporate Income Tax of the People's Republic of China (the "PRC") for the period | – | 706 | – | 1,032 |
| – Provision for Hong Kong Profits Tax for the period | (47) | 726 | 49 | 1,115 |
| | (47) | 1,432 | 49 | 2,147 |
| Deferred taxation: | | | | |
| – Origination and reversal of temporary differences | (3) | – | 15 | (8) |
| – The PRC Withholding Tax on retained profits to be distributed | (115) | 409 | (258) | 177 |
| | (118) | 409 | (243) | 169 |
| | (165) | 1,841 | (194) | 2,316 |

Notes:

(i) 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 2019 (2018: 16.5%).

(ii) 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.

(iii) 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 2019 (2018: 25%).

## 7 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2019.

## 8 (LOSS)/PROFIT PER SHARE

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

The basic (loss)/profit per share is calculated based on the (loss)/profit 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 | |
|---|---|---|---|---|
| | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) | 2018 HK$'000 (unaudited) |
| (Loss)/profit attributable to the equity shareholders of the Company | (6,170) | 8,815 | (15,857) | 3,237 |

***Weighted average number of ordinary shares***

| | Three months ended 30 September | | Six months ended 30 September | |
|---|---|---|---|---|
| | 2019 '000 | 2018 '000 | 2019 '000 | 2018 '000 |
| Weighted average number of ordinary shares at 1 April and 30 September | 218,733 | 218,733 | 218,733 | 218,733 |

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

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 2019.

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.

## 9 TRADE AND OTHER RECEIVABLES

| | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Trade receivables due from third parties | 7,275 | 11,640 |
| Less: Loss allowance | (97) | (103) |
| | 7,178 | 11,537 |
| Prepayments, deposits and other receivables: | | |
| – Prepayments for purchase of inventories | 5,506 | 4,964 |
| – Others | 517 | 370 |
| | 6,023 | 5,334 |
| Less: Loss allowance | (871) | (929) |
| | 5,152 | 4,405 |
| | 12,330 | 15,942 |

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

| | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Within 30 days | 4,927 | 6,573 |
| 31 to 60 days | 89 | 2,297 |
| 61 to 90 days | 237 | 240 |
| Over 90 days | 1,925 | 2,427 |
| | 7,178 | 11,537 |

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 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Trade payables: | | |
| – Amounts due to third parties | 20,484 | 12,927 |
| Other payables and accrued expenses: | | |
| – Payables for staff related costs | 7,802 | 8,283 |
| – Amounts due to then related parties of Hebei Youlin (note) | 1,535 | 33,965 |
| – Payables for acquisition of property, plant and equipment | 3,784 | 21,920 |
| – Payables of acquisition of a subsidiary | 12,283 | 13,099 |
| – Interest payables | 159 | 817 |
| – Other accruals and payables | 32,095 | 7,199 |
| | 57,658 | 85,283 |
| | 78,142 | 98,210 |

Note:

At 30 September 2019, amounts due to then related parties of Hebei Youlin Technology Company Limited*（河北優林科技有限公司）("Hebei Youlin") include advances from Mr. Huo Julin, one of then equity owners of Hebei Youlin, amounting to approximately HK$548,000 and advances from a company with 20% of equity interests held by Mr. Li Xianfeng, another then equity owner of Hebei Youlin amounting to approximately HK$987,000, which are unsecured, non-interest bearing and expected to be settled within one year.

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 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Within 30 days | 7,806 | 6,293 |
| 31 to 60 days | 2,145 | 1,255 |
| 61 to 90 days | 1,383 | 707 |
| Over 90 days | 9,150 | 4,672 |
| | 20,484 | 12,927 |

* *For identification purpose only*

## 11 BANK AND OTHER BORROWINGS

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

| | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Bank borrowings | | |
| – Secured | 65,498 | 69,312 |
| Other borrowings | | |
| – Unsecured | – | 30,131 |
| – Discounted export bills | 1,352 | 2,540 |
| | 66,850 | 101,983 |
| Add: Current portion of long-term bank borrowings | 1,629 | 1,610 |
| | 68,479 | 103,593 |

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

| | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Bank borrowings: | | |
| – Secured | 14,360 | 14,935 |
| Other borrowings | | |
| – Unsecured | 55,064 | 58,707 |
| | 69,424 | 73,642 |
| Less: Current portion of long-term bank borrowings | 1,629 | 1,610 |
| | 67,795 | 72,032 |

## 12 RELATED PARTY TRANSACTIONS

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 period are set out below.

| | As at 30 September 2019 HK$'000 (unaudited) | As at 31 March 2019 HK$'000 (audited) |
|---|---|---|
| Operating lease expenses | 138 | – |
| Acquisition of property from a related party | – | 40,351 |
| Advances from related parties | 58,566 | 87,462 |
| Repayments to related parties | (13,709) | (43,905) |

## MANAGEMENT DECISIONS AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products. The Group's major 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 wooden products.

The competition in the plywood market among countries was keen. The recent Sino-US trade war has caused global economic uncertainty, and our customers has significantly reduced their orders. Our sales volume of plywood products decreased by about 28.4% from approximately 31,965 cubic meters for the six months ended 30 September 2018 to approximately 22,886 cubic meters for the six months ended 30 September 2019. The fall in average unit selling price of the plywood products resulting the decrease in the gross profit margin of approximately 3.4 percentage points to approximately 13.4% for the six months ended 30 September 2019 (2018: approximately 16.8%).

To cope with the continued keen competition in the plywood market among countries and severe global market conditions, the Group continues seeking business opportunities in other potential markets 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 improving the performance of the Group.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 September 2019, the Group recorded the revenue of approximately HK$98.4 million, representing an approximately 27.6% decrease comparing to the previous year (2018: approximately HK$136.0 million). The decrease was mainly attributable to a fall in orders received from the existing customers led by the weakened plywood demand from Japan and the fall in average unit selling price of the plywood products.

### Gross profit

The gross profit margin of the Group decreased from approximately 16.8% for the six months ended 30 September 2018 to approximately 13.4% for the six months ended 30 September 2019. The major reason for such decrease was due to the fall in average unit selling price of the plywood products.

### Selling expenses

The selling expenses decreased by approximately 42.1% from approximately HK$3.8 million for the six months ended 30 September 2018 to approximately HK$2.2 million for the six months ended 30 September 2019. The decrease was mainly due to the decrease in the sales volume of plywood products.

### Loss for the period

The Group recorded a loss of approximately HK$15.9 million for the six months ended 30 September 2019 compared to a profit of approximately HK$3.2 million for the six months ended 30 September 2018.

The change was mainly due to i) the decrease in gross profit as the combined effect of the decrease in sales volume and the fall in average unit selling price of the plywood products as described above resulting in the gross profit decreased by approximately HK$9.7 million to approximately HK$13.2 million for the six months ended 30 September 2019 (2018: approximately HK$22.9 million); ii) the increase in other loss by approximately HK$3.3 million to approximately HK$2.7 million for the six months ended 30 September 2019 (2018: approximately HK$0.6 million other income); iii) the increase in administrative and other expenses by approximately HK$4.9 million to approximately HK$18.4 million for the six months ended 30 September 2019 (2018: approximately HK$13.5 million); and iv) the increase in the finance costs by approximately HK$5.4 million to approximately HK$6.0 million for the six months ended 30 September 2019 as a result of the sharply increase in the bank and other borrowings (2018: approximately HK$0.6 million). Such decrease was offset by i) the decrease in selling expenses by approximately HK$1.6 million to approximately HK$2.2 million for the six months ended 30 September 2019 (2018: approximately HK$3.8 million); and ii) the change in the income tax by approximately HK$2.5 million to approximately HK$0.2 million net tax credit for the six months ended 30 September 2019 (2018: approximately HK$2.3 million net tax charge).

## 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, advances from shareholders 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 and other 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 to be, operating costs and capital expenditures. As at 30 September 2019, 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 of trade and other payables and bank and other borrowings.

As at 30 September 2019, the Group maintained cash and cash equivalents amounting to approximately HK$11.0 million (as at 31 March 2019: approximately HK$14.0 million). The Group recorded net current liabilities of approximately HK$57.6 million as at 30 September 2019 (as at 31 March 2019: net current liabilities of approximately HK$74.3 million).

As at 30 September 2019, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK$136.3 million (as at 31 March 2019: approximately HK$175.6 million).

As at 30 September 2019, 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 2019, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 81.8% (as at 31 March 2019: approximately 79.4%).

## CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019, the Group's trade receivables of approximately HK$1.4 million were charged to secure discounted export bills with full recourse.

As at 30 September 2019, the Group's land use rights of carrying amount of approximately HK$26.2 million were charged to secure bank borrowings of approximately HK$24.5 million.

## CONTINGENT LIABILITIES

As at 30 September 2019, there were no significant contingent liabilities for the Group.

## CAPITAL COMMITMENTS

As at 30 September 2019, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK$3.9 million (as at 31 March 2019: approximately HK$3.5 million).

## SIGNIFICANT INVESTMENT

During the six months ended 30 September 2019, 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 2019.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had a total of 238 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 2019, 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 and Renminbi 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

Up to the date of this report, the main construction work of the new production plant in Dong Mu Shan Industrial Park has been completed, the relocation has started at the end of July this year.

The current production plant of the Group is located at No. 29, Gao Sha Middle Road, Jiangmen City, Guangdong Province, the People's Republic of China (the "PRC"). Due to the delay in the construction of new production plant, in order to minimize the impact of relocation on the Group's production and sales and ensure the smoothness of the relocation work, the Group has signed a new tenancy agreement with the landlord to extend lease term of the current tenancy agreement to 31 December 2019. As the customers' order placing may affect the current production plan, hereby affecting our relocation plan which may lead to a delay in the relocation progress, the Group may consider, based on the actual situation then, to negotiate with the landlord in advance on a new tenancy agreement to further extend the lease term of the current production plant. The Group considers that the proposed relocation of the production plant would not cause any material impact on the operation of the Group.

Currently, customers of the Group are mainly scattered in Japan, 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.

In order to further strengthen sales efforts and to implement its expansion plan in the Northern China, a wholly-owned subsidiary of the Group, Hebei Jiapin Trading Limited*（河北迦品貿易有限公司）(“Hebei Jiapin“) , 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.

The Group’s current product mix mainly includes the processing and sale of various plywood products sold to overseas customers mainly in Japan and the sale of plywood and other wooden products in Northern China. In order to further develop the Northern China plywood and wooden products market, to widen the product range of the Group and to achieve economies of scale, Hebei Jiapin entered into an equity transfer agreement to acquire the entire equity interest in Hebei Youlin. Hebei Youlin is primarily engaged in the sourcing, manufacturing and sale of wooden products. The transaction was completed on 28 March 2019, and Hebei Youlin became an indirect wholly-owned subsidiary of the Company on the same day.

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 continue to 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*

## 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 2019, 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

| | Number of ordinary share held, capacity and nature of interest | | | |
|---|---|---|---|---|
| Name of Director | Directly and beneficially owned | Through controlled corporations | Total | Approximate percentage of the Company's issued share capital |
| 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 2019.

Save as disclosed above, as at 30 September 2019, 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.

* *For identification purpose only*

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

As at 30 September 2019, 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 2019, 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 2019.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2019, 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 2019 and as of 30 September 2019, no share options were outstanding.

During the six months ended 30 September 2019, no share options were granted pursuant to the Share Option Scheme.

As at 30 September 2019, 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 2019 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 2019 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, 11 November 2019

*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.*