



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

2020 *FIRST
QUARTERLY
REPORT*



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

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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 ended 30 June 2020, together with comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the three months ended 30 June 2020

		(Unaudited) Three months ended 30 June	
NOTES		2020 HK\$'000	2019 HK\$'000
Revenue	4	44,853	38,491
Cost of sales		(34,808)	(33,880)
Gross profit		10,045	4,611
Other loss		(694)	–
Other gains and losses, net		584	(1,139)
Selling expenses		(1,145)	(833)
Administrative expenses		(11,821)	(9,194)
Loss from operations		(3,031)	(6,555)
Finance costs		(2,521)	(3,161)
Loss before taxation	5	(5,552)	(9,716)
Income tax (expense)/credit		(37)	29
Loss for the period attributable to equity shareholders of the Company		(5,589)	(9,687)
Other comprehensive expense			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		118	(1,949)
Other comprehensive income/(expense) for the period		118	(1,949)
Total comprehensive expense for the period attributable to equity shareholders of the Company		(5,471)	(11,636)
Loss per share	7		
Basic and diluted (HK cents)		(2.56)	(4.42)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to equity shareholders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses 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 three months ended 30 June 2019:						
Loss for the period	-	-	-	-	(9,687)	(9,687)
Other comprehensive expense	-	-	-	(1,949)	-	(1,949)
Total comprehensive income	-	-	-	(1,949)	(9,687)	(11,636)
Balance at 30 June 2019 (unaudited)	2,187	72,403	41,355	(4,440)	(34,799)	76,706
	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 April 2020 (audited)	2,187	72,403	41,355	(7,357)	(56,617)	51,971
Changes in equity for the three months ended 30 June 2020:						
Loss for the period	-	-	-	-	(5,589)	(5,589)
Other comprehensive income	-	-	-	118	-	118
Total comprehensive income/(expense)	-	-	-	118	(5,589)	(5,471)
Balance at 30 June 2020 (unaudited)	2,187	72,403	41,355	(7,239)	(62,206)	46,500

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

1. GENERAL INFORMATION

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 on 23 February 2015. The Group principally engages in the sourcing, manufacturing and sale of plywood products and other wooden products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective for the current year

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKASs") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The Directors of the Company consider, other new or amended HKFRSs that are effective in the current year did not have any material impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective for the current year (Continued)

HKFRS 16 – Lease

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the lease component and the aggregate stand-alone price of non-lease components.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective for the current year (Continued) **HKFRS 16 – Lease (Continued)**

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. For right-of-use asset that meets the definition of a class of property, plant and equipment, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective for the current year (Continued)

HKFRS 16 – Lease (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at cost, less any accumulated depreciation and any impairment losses. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective for the current year (Continued) **HKFRS 16 – Lease (Continued)**

(iv) *Accounting as a lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) *Transition*

As mentioned above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective for the current year (Continued)

HKFRS 16 – Lease (Continued)

(v) Transition (Continued)

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

(b) New/revised HKFRSs that have issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s operations, have been issued but are not yet effective on 1 April 2019 and have not been early adopted by the Group.

Amendments to HKFRS 3	Definition of a business ¹
Amendments to HKAS 1 and HKAS 8	Definition of material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	COVID-19 Related-Rent Concession ⁴

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

⁴ Effective for annual periods beginning on or after 1 June 2020

The Directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the Group’s consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all HKFRSs, HKASs and Interpretations and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of measurement and going concern assumption

The consolidated financial statements for the three months ended 30 June 2020 comprise the Company and its subsidiaries, and have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

As at 30 June 2020, the Group has net current liabilities of approximately HK\$83,861,000. The Directors of the Company have assessed the existing bank and other borrowings which will expire within 1 year and are of the opinion that these borrowings could be further renewed when their terms expire. 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 for 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 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.

4 REVENUE AND SEGMENT REPORTING

Revenue is disaggregated by timing of recognition and major products as below:

	(Unaudited) Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition		
At a point in time		
Sale of general plywood	19,521	27,173
Sale of packing plywood	903	1,577
Sale of structural panel	17,206	2,076
Sale of floor base	–	205
Sale of supplementary materials use in construction	20	–
Others	482	795
	38,132	31,826
Transferred over time		
Made-to-order wooden products	6,721	6,665
	44,853	38,491

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

	(Unaudited) Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Japan	24,899	27,833
The Peoples's Republic of China ("PRC")	17,960	8,085
Thailand	316	365
Hong Kong ("HK")	1,678	1,745
Other countries	–	463
	44,853	38,491

5 INCOME TAX (EXPENSE)/CREDIT

(Unaudited)
Three months ended
30 June

	2020 HK\$'000	2019 HK\$'000
Current taxation:		
– Provision for Corporate Income Tax of PRC for the period	–	–
– Provision for HK Profits Tax for the period	(2)	(96)
	(2)	(96)
Deferred taxation:		
– Origination and reversal of temporary differences	(9)	(18)
– The PRC Withholding Tax on retained profits to be distributed	(26)	143
	(35)	125
	(37)	29

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in HK are subject to HK Profits Tax rate of 16.5% for the three months ended 30 June 2020 (2019: 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 HK) are subject to the PRC Corporate Income Tax rate of 25% for the three months ended 30 June 2020 (2019: 25%).

6 DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 June 2020 (2019: HK\$Nil).

7 LOSS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	(Unaudited) Three months ended 30 June	
	2020	2019
Loss (HK\$'000)		
Loss for the purpose of calculating the basic and dilutive earnings per share	(5,589)	(9,687)
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	218,733	218,733
Loss per share (HK cents)		
Basic and dilutive	(2.56)	(4.42)

There were no potential dilutive ordinary shares outstanding during the three months ended 30 June 2020 and 30 June 2019.

MANAGEMENT DISCUSSION 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; (v) supplementary materials used for construction; and (vi) other wooden products.

The competition in the plywood market among countries was keen as the technical content of plywood products is low. The Sino-US trade war and the COVID-19 epidemic has adverse impact on the sales revenue of plywood products, and the Group has adjusted the unit selling price of plywood products for export, so the sales volume of plywood products for export only dropped slightly, while the sales volume of plywood for domestic sales increased considerably compared with the same period last year. The Group's sales volume of plywood products increased by approximately 25.5% from approximately 9,454 cubic meters for the three months ended 30 June 2019 to approximately 11,863 cubic meters for the three months ended 30 June 2020. The increase in proportion of some wooden products with higher profit margin, such as wooden structure and aluminum clad wooden windows, together with the decrease in unit cost of sales resulted in the increase in the average gross profit margin by approximately 10.4% to approximately 22.4% for the three months ended 30 June 2020 (2019: approximately 12.0%).

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 access to environmentally and socially aware markets.

Moreover, the Group will enhance productivity via different means, such as 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 three months ended 30 June 2020, the Group recorded revenue of approximately HK\$44.9 million, representing approximately 16.6% increase comparing to the previous year (2019: approximately HK\$38.5 million). The increase was mainly attributable to increase in the sales volume of plywood products and other wooden products.

Gross profit margin

The gross profit margin of the Group increased from approximately 12.0% for the three months ended 30 June 2019 to approximately 22.4% for the three months ended 30 June 2020. The major reason for such increase was the increase in proportion of some wooden products with higher profit margin than plywood products as well as the decrease in unit cost of sales.

Selling expenses

The selling expenses increased by approximately 37.5% from approximately HK\$0.8 million for the three months ended 30 June 2019 to approximately HK\$1.1 million for the three months ended 30 June 2020. The increase was mainly due to the increase in the sales volume of plywood and other wooden products.

Loss for the period

The loss of the Group decreased by approximately HK\$4.1 million from a loss of approximately HK\$9.7 million for the three months ended 30 June 2019 to a loss of approximately HK\$5.6 million for the three months ended 30 June 2020.

The decrease was mainly due to i) the increase in gross profit as the combined effect of the increase in the sale volume of plywood and other wooden products and the decrease in unit cost of sales as described above resulting in the increase in gross profit by approximately HK\$5.4 million to approximately HK\$10.0 million for the three months ended 30 June 2020 (2019: approximately HK\$4.6 million); and ii) the decrease in finance costs by approximately HK\$0.7 million to approximately HK\$2.5 million for the three months ended 30 June 2020 (2019: approximately HK\$3.2 million). Such decrease was offset by the increase in administrative expenses by approximately HK\$2.6 million to approximately HK\$11.8 million for the three months ended 30 June 2020 (2019: approximately HK\$9.2 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, 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 June 2020, 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 June 2020, the Group maintained cash and cash equivalents amounting to approximately HK\$14.3 million (as at 31 March 2020: approximately HK\$11.2 million). The Group recorded net current liabilities of approximately HK\$83.9 million as at 30 June 2020 (as at 31 March 2020: net current liabilities of approximately HK\$97.6 million).

As at 30 June 2020, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK\$80.1 million (as at 31 March 2020: approximately HK\$133.6 million).

As at 30 June 2020, 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 June 2020, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 88.4% (as at 31 March 2020: approximately 86.6%).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group's trade receivables of approximately HK\$3.7 million were charged to secure discounted export bills with full recourse.

As at 30 June 2020, the Group's land use rights of carrying amount of approximately HK\$23.7 million and inter-company trade receivables of approximately HK\$3.6 million were charged to secure bank borrowings of approximately HK\$26.1 million.

CONTINGENT LIABILITIES

As at 30 June 2020, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$1.5 million (as at 31 March 2020: approximately HK\$0.8 million).

FUTURE PROSPECTS

In previous years, as the Group's business has mainly focused on the production and sales of plywood products, and the Group's customers were mainly scattered in Japan and some other countries or areas such as Thailand and Hong Kong, the Group was more susceptible to the changes in the global economic environment. Therefore, the Group has been working hard to enrich its product categories and to explore the market in 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 other wooden products like wooden structure, wooden panels, wooden doors and windows to be used in the property development projects. To capture these business opportunities, the Group has expanded its business to Northern China by strengthening its trading business and acquired Hebei Youlin Technology Company Limited* (河北優林科技有限公司) ("Hebei Youlin") as its wholly-owned subsidiary. The production plant of Hebei Youlin at Ningjin County, Hebei Province, the PRC is primarily engaged in the sourcing, manufacturing and sale of wooden products. The acquisition of Hebei Youlin provides the Group with new business growth point. The Group also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries or areas, 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 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.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the each of the Directors and the chief executive of the Company in the 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 (Note)
	Directly and beneficially owned	Through controlled corporations		
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	27,978,425	–	27,978,425	12.79%

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 June 2020.

Save as disclosed above, as at 30 June 2020, 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 OF THE COMPANY

As at 30 June 2020, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company) had interests or 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 three months ended 30 June 2020, 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 the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Model Code as its own code governing securities transactions of the Directors. 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 Model Code during the three months ended 30 June 2020, except on 21 May 2020, the Company was informed by Mr. Xue Zhao Qiang, an executive director of the Company, that 2,782,000 shares of the Company (which were placed in securities trading account with margin facilities) held by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"), representing approximately 1.27% of the total issued share capital of the Company, were sold on the market as a result of forced sale by the stockbroker of Guotai Junan on 18 May 2020 due to the failure in meeting the issued margin call. For details please refer to the announcement of the Company dated 22 May 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2020, save for the above deviation from the Model Code as set out in the announcement of the Company dated 22 May 2020, 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 2020 and as of 30 June 2020, no Share Options were outstanding.

During the three months ended 30 June 2020, no share options were granted pursuant to the Share Option Scheme.

As at 30 June 2020, 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 June 2020 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 three months ended 30 June 2020 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 August 2020

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.