



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 *INTERIM
REPORT*



CHARACTERISTICS OF THE 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 and six months ended 30 September 2020, together with comparative figures for the corresponding periods in 2019 as follows:

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

For the three months and six months ended 30 September 2020

		Three months ended 30 September		Six months ended 30 September	
	NOTES	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	34,848	59,928	79,701	98,419
Cost of sales		(28,149)	(51,343)	(62,957)	(85,223)
Gross profit		6,699	8,585	16,744	13,196
Other income		745	–	51	–
Other gains and losses, net		66	(1,514)	650	(2,653)
Selling expenses		(752)	(1,397)	(1,897)	(2,230)
Administrative and other expenses		(9,359)	(9,196)	(21,180)	(18,390)
Loss from operations		(2,601)	(3,522)	(5,632)	(10,077)
Finance costs	5	(3,211)	(2,813)	(5,732)	(5,974)
Loss before taxation	6	(5,812)	(6,335)	(11,364)	(16,051)
Income tax credit	7	69	165	32	194
Loss for the period attributable to equity shareholders of the Company		(5,743)	(6,170)	(11,332)	(15,857)

NOTES	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Other comprehensive expense <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translating foreign operations	2,316	(2,354)	2,434	(4,303)
Other comprehensive expense for the period	2,316	(2,354)	2,434	(4,303)
Total comprehensive expense for the period attributable to equity shareholders of the Company	(3,427)	(8,524)	(8,898)	(20,160)
Loss per share				
Basic and diluted (HK cents)	(2.6)	(2.8)	(5.2)	(7.2)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	NOTES	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		225,488	219,222
Right-of-use assets		62,289	60,481
Intangible assets		1,598	1,644
Other non-current assets		4,138	2,647
		293,513	283,994
Current assets			
Inventories		66,656	51,587
Trade and other receivables	10	33,266	26,838
Contract assets		3,721	1,344
Other current assets		15,457	12,993
Cash at bank and on hand		12,228	11,175
		131,328	103,937
Current liabilities			
Trade and other payables	11	78,709	78,662
Contract liabilities		285	2,011
Bank and other borrowings	12	57,880	119,376
Lease liabilities		1,541	1,197
Income tax payable		571	261
		138,986	201,507

NOTES	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Net current liabilities	(7,658)	(97,570)
Non-current liabilities		
Bank and other borrowings	12 132,717	14,225
Deferred income tax liabilities	5,586	5,626
Deferred income	399	405
Lease liabilities	489	815
Other non-current liabilities	103,591	113,382
	242,782	134,453
NET ASSETS	43,073	51,971
CAPITAL AND RESERVES		
Share capital	2,187	2,187
Reserves	40,886	49,784
TOTAL EQUITY	43,073	51,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020 (audited)	2,187	72,403	41,355	(7,357)	(56,617)	51,971
Changes in equity for the six months ended 30 September 2020:						
Loss for the period	-	-	-	-	(11,332)	(11,332)
Other comprehensive expense for the period	-	-	-	2,434	-	2,434
Total comprehensive (expense)/income	-	-	-	2,434	(11,332)	(8,898)
Balance at 30 September 2020 (unaudited)	2,187	72,403	41,355	(4,923)	(67,949)	43,073

	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash used in operating activities	(22,708)	(4,519)
Net cash used in investing activities	(6,206)	(6,483)
Net cash generated from financing activities	29,629	8,370
Net increase/(decrease) in cash and cash equivalents	715	(2,632)
Cash and cash equivalents at 1 April	11,175	14,005
Effect of foreign exchange rate changes	338	(394)
Cash and cash equivalents at 30 September	12,228	10,979

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 six months ended 30 September 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 September 2020, the Group has net current liabilities of approximately HK\$7,658,000. 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:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Timing of revenue recognition				
At a point in time				
Sale of general plywood	16,066	23,383	35,587	50,556
Sale of packing plywood	191	1,400	1,094	2,977
Sale of structural panel	6,058	15,836	23,264	17,912
Sale of floor base	359	609	359	814
Sale of supplementary materials use in construction	–	–	20	–
Others	2,353	–	2,835	795
	25,027	41,228	63,159	73,054
Transferred over time				
Made-to-order wooden products	9,821	18,700	16,542	25,365
	34,848	59,928	79,701	98,419

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.

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Japan	18,923	29,519	43,822	57,352
The Peoples's Republic of China ("PRC")	15,807	27,528	33,767	35,613
Thailand	–	1,366	316	1,731
Hong Kong ("HK")	118	1,470	1,796	3,215
Other countries or areas	–	45	–	508
	34,848	59,928	79,701	98,419

5 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interests on bank borrowings	3,195	2,808	5,694	5,963
Interests on lease liabilities	16	5	38	11
	3,211	2,813	5,732	5,974

6 LOSS BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:				
Directors' remuneration	120	120	240	240
Other staff costs	5,167	6,347	11,280	12,677
Contributions to defined contribution retirement plans	89	388	386	803
	5,376	6,855	11,906	13,720
Cost of inventories	28,149	51,343	62,957	85,223

7 INCOME TAX CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current taxation:				
– Provision for Corporate Income Tax of PRC for the period	–	–	–	–
– Provision for HK Profits Tax for the period	(6)	47	(8)	(49)
	(6)	47	(8)	(49)
Deferred taxation:				
– Origination and reversal of temporary differences	4	3	(5)	(15)
– The PRC Withholding Tax on retained profits to be distributed	71	115	45	258
	75	118	40	243
	69	165	32	194

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 six months ended 30 September 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 six months ended 30 September 2020 (2019: 25%).

8 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2020.

9 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:

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Loss (HK\$'000)				
Loss for the purpose of calculating the basic and dilutive earnings per share	(5,743)	(6,170)	(11,332)	(15,857)
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	218,733	218,733	218,733	218,733
Loss per share (HK cents)				
Basic and dilutive	(2.6)	(2.8)	(5.2)	(7.2)

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

10 TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade receivables due from third parties	9,683	19,613
Less: Loss allowance	(101)	(96)
	9,582	19,517
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	22,408	6,316
– Others	2,182	1,875
	24,590	8,191
Less: Loss allowance	(906)	(870)
Other receivables	23,684	7,321
Trade and other receivables	33,266	26,838

Ageing analysis:

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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Within 30 days	6,911	17,571
31 to 60 days	337	146
61 to 90 days	457	224
91 to 180 days	46	1,028
Over 180 days	1,831	548
	9,582	19,517

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.

11 TRADE AND OTHER PAYABLES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	20,857	20,197
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	8,168	6,936
– Amounts due to then related parties of Hebei Youlin	–	547
– Payables for acquisition of property, plant and equipment	3,938	34,976
– Interest payables	182	263
– Other accruals and payables	33,421	4,095
Recognised at fair value through profit or loss		
– Contingent consideration payable for acquisition of a subsidiary (note)	12,143	11,648
	57,852	58,465
	78,709	78,662

Note:

It represents the second instalment payable under the equity transfer agreement related to the acquisition of Hebei Youlin Technology Company Limited* (河北優林科技有限公司) ("Hebei Youlin"), the Group is committed to paying a maximum aggregate amount of HK\$12,143,000 contingent payment to the sellers upon fulfilment of certain conditions. Details of the equity transfer agreement are set out in the Company's announcements dated 24 January 2019 and 14 March 2019.

As at 30 September 2020, the contingent consideration payable represent the fair value of the obligation for the contingent payable in accordance with the new settlement and are estimated by the management, the fair value of the contingent consideration payable was estimated by applying probability of occurrence of certain events as stated in the equity transfer agreement.

* For identification purpose only

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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Within 30 days	5,551	8,788
31 to 60 days	1,785	375
61 to 90 days	2,715	4,296
Over 90 days	10,806	6,738
	20,857	20,197

12 BANK AND OTHER BORROWINGS

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Bank borrowings		
– Secured	8,555	65,552
– Guaranteed	3,424	3,284
Other borrowings		
– Unsecured	42,413	46,195
– Discounted export bills	1,084	2,441
	55,476	117,472
Add: Current portion of long-term bank borrowings	2,404	1,904
	57,880	119,376

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Bank borrowings:		
– Secured	132,838	16,129
– Guaranteed	2,283	–
	135,121	16,129
Less: Current portion of long-term bank borrowings	(2,404)	(1,904)
	132,717	14,225

13 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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Advances from related parties	39,125	93,304
Repayments to related parties	(52,506)	(27,314)

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; (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 have adverse impact on the sales revenue of plywood products. The Group's sales volume of plywood products decreased by approximately 12.7% from approximately 22,886 cubic meters for the six months ended 30 September 2019 to approximately 19,971 cubic meters for the six months ended 30 September 2020. The increase in proportion of some wooden products with higher profit margin, such as wooden structure and aluminum clad wooden windows, resulted in the increase in the average gross profit margin by approximately 7.6% to approximately 21.0% for the six months ended 30 September 2020 (2019: approximately 13.4%).

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 six months ended 30 September 2020, the Group recorded revenue of approximately HK\$79.7 million, representing an approximately 19.0% decrease comparing to the previous year (2019: approximately HK\$98.4 million). The decrease was mainly attributable to the decrease in the sales volume of plywood products and other wooden products.

Gross profit margin

The gross profit margin of the Group increased from approximately 13.4% for the six months ended 30 September 2019 to approximately 21.0% for the six months ended 30 September 2020. The major reason for such increase was due to the increase in proportion of some wooden products with higher profit margin than plywood products.

Selling expenses

The selling expenses decreased by approximately 13.6% from approximately HK\$2.2 million for the six months ended 30 September 2019 to approximately HK\$1.9 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease in the sales volume of plywood products and other wooden products.

Loss for the period

The loss of the Group decreased by approximately HK\$4.7 million from a loss of approximately HK\$16.0 million for the six months ended 30 September 2019 to a loss of approximately HK\$11.3 million for the six months ended 30 September 2020.

The decrease was mainly due to i) the increase in gross profit as the effect of the increase in the proportion of some wooden products with higher profit margin than plywood products as described above resulting in the increase in gross profit by approximately HK\$3.5 million to approximately HK\$16.7 million for the six months ended 30 September 2020 (2019: approximately HK\$13.2 million); and ii) the change in other gains and losses by approximately HK\$3.4 million to approximately HK\$0.7 million other gains for the six months ended 30 September 2020 (2019: approximately HK\$2.7 million other losses). Such decrease was offset by the increase in administrative expenses by approximately HK\$2.8 million to approximately HK\$21.2 million for the six months ended 30 September 2020 (2019: approximately HK\$18.4 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 September 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 September 2020, the Group maintained cash and cash equivalents, being mainly denominated in Renminbi, United States dollars or Hong Kong dollars, amounting to approximately HK\$12.2 million (as at 31 March 2020: approximately HK\$11.2 million). The Group recorded net current liabilities of approximately HK\$7.7 million as at 30 September 2020 (as at 31 March 2020: net current liabilities of approximately HK\$97.6 million).

As at 30 September 2020, the Group's total bank and other borrowings, being denominated in Renminbi or United States dollars, amounted to approximately HK\$190.6 million (as at 31 March 2020: approximately HK\$133.6 million). Details of bank and other borrowings as at 30 September 2020 are set out in Note 12 of this report.

As at 30 September 2020, bank and other borrowings of the Group amounted to approximately HK\$115.2 million are at fixed annual interest rates ranged from 0.68% to 9.24%.

As at 30 September 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 September 2020, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 89.9% (as at 31 March 2020: approximately 88.4%).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2020, the Group's trade receivables of approximately HK\$1.1 million were charged to secure discounted export bills with full recourse.

As at 30 September 2020, certain land use rights of the Group with carrying amount of approximately HK\$61.9 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$85.2 million; and inter-company trade receivable of approximately HK\$3.6 million were charged to secure bank borrowings of approximately HK\$141.4 million.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 30 September 2020, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$1.3 million (as at 31 March 2020: approximately HK\$0.8 million).

SIGNIFICANT INVESTMENT

During the six months ended 30 September 2020, 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 2020.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had a total of 191 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 2020, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

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 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 ANY ASSOCIATED CORPORATION

As at 30 September 2020, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary share held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations		
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	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 September 2020.

Save as disclosed above, as at 30 September 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

As at 30 September 2020, 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 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 six months ended 30 September 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 six months ended 30 September 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 September 2020, no share options were outstanding.

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

As at 30 September 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 September 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 six months ended 30 September 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, 10 November 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 non-executive Director; and Mr. Wang Wei, Ms. Dong Ping and Mr. Zhu Da as independent non-executive Directors.