



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



2021 INTERIM
REPORT

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2021, together with comparative figures for the corresponding periods in 2020 as follows:

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

For the three months and six months ended 30 September 2021

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	80,052	34,848	133,206	79,701
Cost of sales		(59,725)	(28,149)	(99,601)	(62,957)
Gross profit		20,327	6,699	33,605	16,744
Other income		1,004	745	1,576	51
Other gains and losses, net		646	66	(99)	650
Selling expenses		(2,724)	(752)	(5,370)	(1,897)
Administrative and other expenses		(10,135)	(9,359)	(19,695)	(21,180)
Profit/(loss) from operations		9,118	(2,601)	10,017	(5,632)
Finance costs	5	(4,793)	(3,211)	(9,525)	(5,732)
Profit/(loss) before taxation	6	4,325	(5,812)	492	(11,364)
Income tax (expense)/credit	7	(411)	69	(409)	32
Profit/(loss) for the period attributable to equity shareholders of the Company		3,914	(5,743)	83	(11,332)

NOTES	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translating foreign operations	207	2,316	852	2,434
Other comprehensive income for the period	207	2,316	852	2,434
Total comprehensive income/ (expense) for the period attributable to equity shareholders of the Company	4,121	(3,427)	935	(8,898)
Profit/(loss) per share Basic and diluted (HK cents)	1.49	(2.63)	0.03	(5.18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	NOTES	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		191,230	189,380
Investment properties		41,586	41,011
Right-of-use assets		63,062	62,850
Intangible assets		1,437	1,533
Other non-current assets		–	598
		297,315	295,372
Current assets			
Inventories		43,300	46,265
Trade and other receivables	10	41,665	29,757
Contract assets		700	8,791
Other current assets		10,744	12,921
Cash at bank and on hand		25,641	20,946
		122,050	118,680
Current liabilities			
Trade and other payables	11	63,052	63,067
Contract liabilities		3,586	6,441
Bank and other borrowings	12	22,817	16,890
Lease liabilities		585	1,307
Income tax payable		856	294
		90,896	87,999

	NOTES	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Net current assets		31,154	30,681
Non-current liabilities			
Bank and other borrowings	12	210,675	210,003
Deferred income tax liabilities		5,914	5,428
Deferred income		–	392
Lease liabilities		244	105
Other non-current liabilities		70,966	78,965
		287,799	294,893
NET ASSETS		40,670	31,160
CAPITAL AND RESERVES			
Share capital		2,625	2,187
Reserves		38,045	28,973
TOTAL EQUITY		40,670	31,160

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to equity shareholders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2021 (audited)	2,187	72,403	41,355	2,091	(2,760)	(84,116)	31,160

Changes in equity for the six months ended 30 September 2021:							
Profit for the period	-	-	-	-	-	83	83
Other comprehensive income for the period	-	-	-	-	852	-	852
Total comprehensive income	-	-	-	-	852	83	935
Issue of shares by placing	438	8,137	-	-	-	-	8,575
Balance at 30 September 2021 (unaudited)	2,625	80,540	41,355	2,091	(1,908)	(84,033)	40,670

	Attributable to equity shareholders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Property revaluation 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 income for the period	-	-	-	-	2,434	-	2,434
Total comprehensive income/ (expense)	-	-	-	-	2,434	(11,332)	(8,898)
Balance at 30 September 2020 (unaudited)	2,187	72,403	41,355	-	(4,923)	(67,949)	43,073

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	12,449	(22,708)
Net cash used in investing activities	(4,636)	(6,206)
Net cash (used in)/generated from financing activities	(3,396)	29,629
Net increase in cash and cash equivalents	4,417	715
Cash and cash equivalents at 1 April	20,946	11,175
Effect of foreign exchange rate changes	278	338
Cash and cash equivalents at 30 September	25,641	12,228

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1 GENERAL

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

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

(a) Adoption of new or amended 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:

Amendments to HKFRS 16	Covid-19 Related Rent Concession
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

These new or amended HKFRSs did not have any significant impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

(b) New or amended HKFRSs that have issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKFRSs 2018-2020	Annual Improvements Projects ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new or amended HKFRSs will have no material impact on the Group’s consolidated financial statement in the future.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated 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 consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the six months ended 30 September 2021 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.

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Timing of revenue recognition				
At a point in time				
Sale of general plywood	50,736	16,066	78,389	35,587
Sale of packing plywood	1,415	191	1,689	1,094
Sale of structural panel	6,324	6,058	24,312	23,264
Sale of floor base	1,467	359	2,693	359
Sale of supplementary materials use in construction	–	–	4,713	20
Others	–	2,353	209	2,835
	59,942	25,027	112,005	63,159
Transferred over time				
Made-to-order wooden products	20,110	9,821	21,201	16,542
	80,052	34,848	133,206	79,701

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Japan	54,594	18,923	80,892	43,822
The Peoples's Republic of China ("PRC")	25,063	15,807	49,681	33,767
Thailand	–	–	1,604	316
Hong Kong ("HK")	–	118	173	1,796
Other countries or areas	395	–	856	–
	80,052	34,848	133,206	79,701

5 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interests on bank borrowings	4,780	3,195	9,497	5,694
Interests on lease liabilities	13	16	28	38
	4,793	3,211	9,525	5,732

6 LOSS BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:				
Directors' remuneration	120	120	240	240
Other staff costs	5,860	5,167	11,216	11,280
Contributions to defined contribution retirement plans	387	89	730	386
	6,367	5,376	12,186	11,906
Cost of inventories	59,725	28,149	99,601	62,957

7 INCOME TAX (EXPENSE)/CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current taxation:				
– Provision for Corporate Income Tax of PRC for the period	–	–	–	–
– Provision for HK Profits Tax for the period	(279)	(6)	(285)	(8)
	(279)	(6)	(285)	(8)
Deferred taxation:				
– Origination and reversal of temporary differences	3	4	1	(5)
– The PRC Withholding Tax on retained profits to be distributed	(135)	71	(125)	45
	(132)	75	(124)	40
	(411)	69	(409)	32

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 2021 (2020: 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 2021 (2020: 25%).

8 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2021.

9 PROFIT/(LOSS) PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit/(loss) (HK\$'000)				
Profit/(loss) for the purpose of calculating the basic and dilutive earnings per share	3,914	(5,743)	83	(11,332)
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	262,473	218,733	254,108	218,733
Profit/(loss) per share (HK cents)				
Basic and dilutive	1.49	(2.63)	0.03	(5.18)

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2021 and 30 September 2020.

10 TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Trade receivables due from third parties	25,830	21,723
Less: Loss allowance	(106)	(1,469)
	<u>25,724</u>	<u>20,254</u>
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	14,996	7,052
– Receivable from tenants	768	1,203
– Others	1,136	2,190
	<u>16,900</u>	<u>10,445</u>
Less: Loss allowance	(959)	(942)
Other receivables	<u>15,941</u>	<u>9,503</u>
Trade and other receivables	<u>41,665</u>	<u>29,757</u>

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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Within 30 days	14,043	10,809
31 to 60 days	6,720	2,999
61 to 90 days	3,032	3,855
91 to 180 days	1,929	1,501
Over 180 days	–	1,090
	<u>25,724</u>	<u>20,254</u>

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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	23,576	15,929
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	8,933	8,278
– Amounts due to then related parties of Hebei Youlin	–	2,587
– Payables for acquisition of property, plant and equipment	–	28,972
– Interest payables	462	454
– Other accruals and payables	30,081	6,847
	39,476	47,138
	63,052	63,067

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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Within 30 days	14,772	7,073
31 to 60 days	4,378	885
61 to 90 days	1,088	3,324
Over 90 days	3,338	4,647
	23,576	15,929

12 BANK AND OTHER BORROWINGS

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

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Bank borrowings		
– Secured	13,957	8,980
Other borrowings		
– Discounted export bills	4,215	4,696
	18,172	13,676
Add: Current portion of long-term bank borrowings	4,645	3,214
	22,817	16,890

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

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Bank borrowings:		
– Secured and guaranteed	206,022	203,725
– Secured with guarantee	9,298	9,492
	215,320	213,217
Less: Current portion of long-term bank borrowings	(4,645)	3,214
	210,675	210,003

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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Advances from related parties	22,635	103,631
Repayments to related parties	(38,401)	(149,433)

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. During the three months ended 30 September 2021, many factories in Southeast Asia were suspended due to the severe impact of the Covid-19 Delta Variant Virus ("Delta Variant Virus"). Some plywood orders were transferred to Chinese plywood manufacturers that were relatively less affected by the Delta Variant Virus. The Group's sales volume of plywood products increased by approximately 38.9% from approximately 19,971 cubic meters for the six months ended 30 September 2020 to approximately 27,735 cubic meters for the six months ended 30 September 2021. The average gross profit margin increased by approximately 4.2% to approximately 25.2% for the six months ended 30 September 2021 (2020: approximately 21.0%).

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 six months ended 30 September 2021, the Group recorded revenue of approximately HK\$133.2 million, representing an approximately 67.1% increase comparing to the previous year (2020: approximately HK\$79.7 million). The increase was mainly attributable to a rise in average unit selling price and the increase in the sales volume of plywood products.

Gross profit margin

The gross profit margin of the Group increased from approximately 21.0% for the six months ended 30 September 2020 to approximately 25.2% for the six months ended 30 September 2021. The major reason for such increase was due to the rise in average unit selling price and the decrease in average unit cost of sales of the plywood products.

Selling expenses

The selling expenses increased by approximately HK\$3.5 million from approximately HK\$1.9 million for the six months ended 30 September 2020 to approximately HK\$5.4 million for the six months ended 30 September 2021. The increase was mainly due to the increase in the sales volume of plywood products and the increase in transportation costs as a result of the Covid-19 epidemic.

Profit/(loss) for the period

The Group recorded a profit of approximately HK\$0.1 million for the six months ended 30 September 2021 compared to a loss of approximately HK\$11.3 million for the six months ended 30 September 2020.

The increase was mainly due to i) the increase in gross profit as the combined effect of the rise in average unit selling price, the increase in sales volume and the decrease in average unit cost of sales of the plywood products as described above which resulted in the increase of gross profit by approximately HK\$16.9 million to approximately HK\$33.6 million for the six months ended 30 September 2021 (2020: approximately HK\$16.7 million); and ii) the decrease in the administrative expenses by approximately HK\$1.5 million to approximately HK\$19.7 million for the six months ended 30 September 2021 (2020: approximately HK\$21.2 million). Such increase was offset by i) the increase in the selling expenses by approximately HK\$3.5 million to approximately HK\$5.4 million for the six months ended 30 September 2021 (2020: approximately HK\$1.9 million); and ii) the increase in finance costs by approximately HK\$3.8 million to approximately HK\$9.5 million for the six months ended 30 September 2021 (2020: approximately HK\$5.7 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 2021, 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 2021, the Group maintained cash and cash equivalents, being mainly denominated in Renminbi, United States dollars or Hong Kong dollars, amounting to approximately HK\$25.6 million (as at 31 March 2021: approximately HK\$20.9 million). The Group recorded net current assets of approximately HK\$31.2 million as at 30 September 2021 (as at 31 March 2021: net current assets of approximately HK\$30.7 million).

As at 30 September 2021, the Group's total bank and other borrowings, being denominated in Renminbi or United States dollars, amounted to approximately HK\$233.5 million (as at 31 March 2021: approximately HK\$226.9 million). Details of bank and other borrowings as at 30 September 2021 are set out in Note 12 of this report.

As at 30 September 2021, bank and other borrowings of the Group amounted to approximately HK\$233.5 million are at fixed annual interest rates ranged from 0.75% to 9.24%.

As at 30 September 2021, 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 2021, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 90.3% (as at 31 March 2021: approximately 92.5%).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2021, the Group's trade receivables of approximately HK\$4.2 million were charged to secure discounted export bills with full recourse.

As at 30 September 2021, certain land use rights of the Group with carrying amount of approximately HK\$62.2 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$152.2 million and certain investment properties of the Group with aggregate carrying amount of approximately HK\$8.6 million were charged to secure bank borrowings of approximately HK\$219.3 million.

CONTINGENT LIABILITIES

As at 30 September 2021, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 30 September 2021, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$nil (as at 31 March 2021: approximately HK\$0.4 million).

SIGNIFICANT INVESTMENT

During the six months ended 30 September 2021, the Group did not have any significant investment.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 20 April 2021, the Company and Citrus Securities Limited (the "Placing Agent") entered into a placing agreement. Pursuant to the agreement, the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 43,740,000 new shares of the Company at HK\$0.2 per share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (the "Placees"). The new shares were allotted and issued pursuant to the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at the annual general meeting of the Company held on 4 September 2020.

On 6 May 2021, 43,740,000 new shares of the Company have been successfully allotted and issued to not less than six Placees at HK\$0.2 per share. The net proceeds from the placing of approximately HK\$8.45 million are intended to be used as general working capital of the Group.

For details, please refer to the announcements of the Company dated 20 April 2021 and 6 May 2021.

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 2021.

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 2021, the Group had a total of 189 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 2021, 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. In view of the potential uncertainties in overseas markets that have led to continued instability in overseas business, the Group will continue to put its effort into the domestic market in the future. The Group has been working hard to enrich its product categories and to explore the market in China, and 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 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.

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 2021, 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			Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations	Total	
Ms. Sun Xue Song	123,041,695	–	123,041,695	46.88%
Mr. Xue Zhao Qiang	27,978,425	–	27,978,425	10.66%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 262,473,333 issued shares as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, 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 2021, 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 2021, 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 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2021, 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 7.62% 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 2021 and as of 30 September 2021, no share options were outstanding.

During the six months ended 30 September 2021, no share options were granted pursuant to the Share Option Scheme.

As at 30 September 2021, 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 2021 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 2021 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, 9 November 2021

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.