



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

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



INTERIM REPORT 2022



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

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

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

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This report, for which the directors (the "Directors") of Steed Oriental (Holdings) Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 September 2022, together with comparative figures for the corresponding periods in 2021 as follows:

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

For the three months and six months ended 30 September 2022

	NOTES	(Unaudited)			
		Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Continuing operations					
Revenue	4	9,456	24,633	18,433	48,404
Cost of sales		(5,700)	(18,079)	(13,307)	(35,636)
Gross profit		3,756	6,554	5,126	12,768
Other income		571	1,098	3,745	1,766
Other gains and losses, net		–	637	(12,537)	120
Selling expenses		(79)	(14)	(84)	(106)
Administrative expenses		(2,857)	(3,612)	(5,797)	(7,704)
Profit/(loss) from operations		1,391	4,663	(9,547)	6,844
Finance costs	5	(3,790)	(4,234)	(7,721)	(8,470)
(Loss)/profit before taxation	6	(2,399)	429	(17,268)	(1,626)
Income tax expense	7	–	–	–	–
(Loss)/profit for the period from continuing operations		(2,399)	429	(17,268)	(1,626)
Discontinued operation					
Profit for the period from discontinued operation		–	3,485	12,039	1,709

NOTES	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
(Loss)/profit for the period attributable to equity shareholders of the Company	(2,399)	3,914	(5,229)	83
Other comprehensive (expense)/income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
<i>Release upon disposal of subsidiaries</i>	–	–	4,573	–
<i>Currency translation differences</i>	(1,653)	207	(5,580)	852
Other comprehensive (expense)/income for the period	(1,653)	207	(1,007)	852
Total comprehensive (expense)/income for the period attributable to equity shareholders of the Company	(4,052)	4,121	(6,236)	935
(Loss)/profit for the period attributable to equity shareholders of the Company				
– from continuing operations	(2,399)	429	(17,268)	(1,626)
– from discontinued operation	–	3,485	12,039	1,709
Loss for the period	(2,399)	3,914	(5,229)	83

		(Unaudited)			
		Three months ended 30 September		Six months ended 30 September	
NOTES	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)	
(Loss)/earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the period					
Basic and diluted (HK cents)	9				
– from continuing operations		(0.91)	0.16	(6.58)	(0.64)
– from discontinued operation		–	1.33	4.59	0.67
(Loss)/earnings per share for the period		(0.91)	1.49	(1.99)	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	NOTES	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		115,237	130,633
Investment properties		35,983	39,205
Right-of-use assets		34,350	37,878
Intangible assets		1,073	1,340
Other non-current assets		445	498
Total non-current assets		187,088	209,554
Current assets			
Inventories		9,457	16,465
Trade and other receivables	10	49,355	36,856
Contract assets		17,650	19,762
Other current assets		–	1,594
Cash at bank and on hand		864	8,069
Tax recoverable		–	4
Total current assets		77,326	82,750
Assets of disposal group classified as held for sale		–	135,360
Total current assets		77,326	218,110

	NOTES	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
LIABILITIES			
Current liabilities			
Trade and other payables	11	58,550	108,384
Contract liabilities		3,155	3,533
Bank and other borrowings	12	110,314	–
Lease liabilities		418	137
Income tax payable		–	–
		172,437	112,054
Liabilities of disposal group classified as held for sale		–	87,652
Total current liabilities		172,437	199,706
NET CURRENT (LIABILITIES)/ASSETS		(95,111)	18,404
Non-current liabilities			
Bank and other borrowings	12	54,054	184,042
Deferred income tax liabilities		4,266	4,092
Deferred income		298	358
Lease liabilities		447	–
Other non-current liabilities		2,650	2,968
Total non-current liabilities		61,715	191,460
NET ASSETS		30,262	36,498
EQUITY			
Share capital		2,625	2,625
Reserves		27,637	33,873
TOTAL EQUITY		30,262	36,498

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	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 2022 (audited)	2,625	80,541	41,355	2,091	(959)	(89,155)	36,498
Comprehensive expense Loss for the period	-	-	-	-	-	(5,229)	(5,229)
Other comprehensive (expense)/income Release upon disposal of subsidiaries Currency translation differences	-	-	-	-	4,573	-	4,573
	-	-	-	-	(5,580)	-	(5,580)
Total comprehensive expense	-	-	-	-	(1,007)	(5,229)	(6,236)
Balance at 30 September 2022 (unaudited)	2,625	80,541	41,355	2,091	(1,966)	(94,384)	30,262

	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
Comprehensive expense Profit for the period	-	-	-	-	-	83	83
Other comprehensive income Currency translation differences	-	-	-	-	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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Net cash generated from operating activities	19,249	12,449
Net cash used in investing activities	(644)	(4,636)
Net cash used in financing activities	(25,476)	(3,396)
Net (decrease)/increase in cash and cash equivalents	(6,871)	4,417
Cash and cash equivalents at 1 April	8,069	20,946
Effect of foreign exchange rate changes	(334)	278
Cash and cash equivalents at 30 September	864	25,641

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

COVID-19-Related Rent Concessions beyond
30 June 2022

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 1	Classification of Liabilities as Current or Non-current ³
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	References to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKFRS 41	Annual Improvements to HKFRSs 2018-2020 ¹

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.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Directors 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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation the consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Group had incurred a loss after tax of approximately HK\$5.2 million for the six months ended 30 September 2022. As at 30 September 2022, the Group had trade and other payables of approximately HK\$58.6 million and total bank and other borrowings of approximately HK\$110.3 million repayable within 1 year together with total bank and other borrowings of approximately HK\$54.1 million repayable before 22 October 2023.

With respect to these events or conditions, the Directors have taken into consideration of the followings:

- The shareholders have undertaken not to request the Group to repay the amounts due to them until the Group has sufficient liquidity which determined by the Group to finance its operations; and
- As disclosed in note 12, amount of approximately HK\$110.3 million and approximately HK\$54.1 million are repayable on 2 July 2023 and 22 October 2023 respectively. The Directors are at the opinion that the above outstanding loans could be extended upon repayment date, which they have negotiated with the relevant financial institution, provided that the good track records with relevant financial institution, the improvement of financial performance and financial position as forecasted in the next twelve months from the end of the reporting date and available and sufficient assets as collaterals for the relevant loan, including the land use right and certain property, plant and equipment.

Based on the above, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4 REVENUE AND SEGMENT REPORTING

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

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Timing of revenue recognition				
At a point in time				
Sale of structural panel	304	4,522	1,230	22,281
Sale of supplementary materials use in construction	282	–	650	4,713
Others	–	1	233	209
	586	4,523	2,113	27,203
Transferred over time				
Made-to-order wooden products	8,870	20,110	16,320	21,201
	9,456	24,633	18,433	48,404

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

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
The People's Republic of China ("PRC")	9,456	24,633	18,433	48,404

5 FINANCE COSTS

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Interests on bank borrowings	3,786	4,227	7,716	8,457
Interests on lease liabilities	4	7	5	13
	3,790	4,234	7,721	8,470

6 (LOSS)/PROFIT BEFORE TAXATION

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
(Loss)/profit before taxation has been arrived at after charging:				
Directors' remuneration	120	120	240	240
Other staff costs	758	762	1,656	1,684
Contributions to defined contribution retirement plans	49	61	101	124
	927	943	1,997	2,048
Cost of inventories	5,700	18,079	13,307	35,636

7 INCOME TAX EXPENSE

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000 (Re-presented)	2022 HK\$'000	2021 HK\$'000 (Re-presented)
Current taxation:				
– Provision for Corporate Income Tax of PRC for the period	–	–	–	–
– Provision for HK Profits Tax for the period	–	–	–	–
	–	–	–	–
Deferred taxation:				
– Origination and reversal of temporary differences	–	–	–	–
– The PRC Withholding Tax on retained profits to be distributed	–	–	–	–
	–	–	–	–
	–	–	–	–

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 2022 (2021: 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 2022 (2021: 25%).

8 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2022.

9 (LOSS)/EARNINGS PER SHARE

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

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2022	2021 (Re-presented)	2022	2021 (Re-presented)
(Loss)/profit (HK\$'000)				
(Loss)/profit for the purpose of calculating the basic and dilutive earnings per share				
– from continuing operations	(2,399)	429	(17,268)	(1,626)
– from discontinued operation	–	3,485	12,039	1,709
(Loss)/profit for the period	(2,399)	3,914	(5,229)	83
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	262,473	262,473	262,473	254,108
(Loss)/earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the period				
Basic and dilutive (HK cents)				
– from continuing operations	(0.91)	0.16	(6.58)	(0.64)
– from discontinued operation	–	1.33	4.59	0.67
(Loss)/profit per share for the period	(0.91)	1.49	(1.99)	0.03

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2022 and 30 September 2021.

10 TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Trade receivables due from third parties	41,526	29,558
Less: Loss allowance	(1,812)	(1,812)
	39,714	27,746
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	6,487	8,027
– Receivable from tenants	2,687	472
– Others	467	611
	9,641	9,110
Less: Loss allowance	–	–
Other receivables	9,641	9,110
Trade and other receivables	49,355	36,856

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 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Within 30 days	6,207	9,116
31 to 60 days	5,790	12,489
61 to 90 days	959	4,514
91 to 180 days	7,491	1,627
Over 180 days	19,267	–
	39,714	27,746

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 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	3,137	2,749
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	6,431	3,757
– Amounts due to then related parties of Hebei Youlin	57	2,692
– Payables for acquisition of property, plant and equipment	3,806	10,409
– Interest payables	422	472
– Other accruals and payables	8,251	6,425
– Advance from related parties	36,446	81,880
	55,413	105,635
	58,550	108,384

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 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Within 30 days	1,077	911
31 to 60 days	19	213
61 to 90 days	227	23
Over 90 days	1,814	1,602
	3,137	2,749

12 BANK AND OTHER BORROWINGS

The Group's bank and other borrowings are analysed as follows:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Bank borrowings:		
– Secured	164,368	184,042
Less: current portion of bank borrowings	(110,314)	–
	54,054	184,042
Within 1 year	110,314	–
After 1 year but within 2 years	54,054	184,042
	164,368	184,042

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 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Advances from related parties	6,804	48,103
Repayments to related parties	(42,845)	(44,802)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Due to the continuous instability of overseas business caused by the Sino-US trade war, COVID-19 epidemic and the intense competitions in the plywood market, the Group was more susceptible to the changes in the global economic environment. During recent years under the pandemic environment, in comparing to the overseas market, although the demand for products in the PRC was also affected by the recent recurrence of pandemic, we believe that the Group's business performance in the PRC will gradually recover with the ease of the COVID-19 pandemic. In view of the prospect of the wooden product market in the PRC, the Group determined to end all of its export-related business.

On 16 February 2022, the Group entered into a sale and purchase agreement to dispose of CD Enterprises Company Limited and its subsidiaries which were principally engaged in sourcing, manufacturing and sale of plywood products. The transaction completed on 30 June 2022. The remaining group is principally engaged in manufacturing, sourcing, trading and sale of wooden products including but not limited to structural panels, supplementary materials used in construction and made-to-order wooden products such as wooden structural components (including installation services), wooden doors and windows and wooden furniture.

During the six months ended 30 September 2022, the Group and its upstream and downstream enterprises were adversely affected by the resurgence of the COVID-19 pandemic in certain regions, and the sales of the Group's products were affected to a certain extent. The Group will enhance productivity via different means, such as improving production process, 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 improve the performance of the Group.

FINANCIAL REVIEW

Continuing operations

Revenue

During the six months ended 30 September 2022, the Group recorded revenue of approximately HK\$18.4 million, representing a decrease of approximately 62.0% comparing to the previous year (2021: approximately HK\$48.4 million). The decrease was mainly attributable to the decrease in the revenue from sales of the structural panel.

Gross profit

The gross profit for the six months ended 30 September 2022 decreased by approximately 60.2% to approximately HK\$5.1 million (2021: approximately HK\$12.8 million). The decrease was mainly attributable to the decrease in the sales of the structural panel.

Loss for the period

During the six months ended 30 September 2022, the Group recorded a loss of approximately HK\$17.3 million, representing an approximately HK\$15.7 million increase comparing to the previous year (2021: loss of approximately HK\$1.6 million).

The increase was mainly due to i) the decrease in gross profit by approximately HK\$7.7 million to approximately HK\$5.1 million for the six months ended 30 September 2022 (2021: approximately HK\$12.8 million); and ii) the increase in other losses by approximately HK\$12.6 million to approximately HK\$12.5 million for the six months ended 30 September 2022 (2021: other gains of approximately HK\$0.1 million), mainly due to a loss derived from the disposal of subsidiaries of approximately HK\$12.5 million. Such decreases were offset by i) the increase in other income by approximately HK\$1.9 million to approximately HK\$3.7 million for the six months ended 30 September 2022 (2021: approximately HK\$1.8 million), mainly due to the rental income receivable after July 2021 from the lease of a subsidiary's investment property; ii) the decrease in administration expenses by approximately HK\$1.9 million to approximately HK\$7.7 million for the six months ended 30 September 2022 (2021: approximately HK\$5.8 million); and iii) the decrease in finance costs by approximately HK\$0.8 million to approximately HK\$7.7 million for the six months ended 30 September 2022 (2021: approximately HK\$8.5 million).

Discontinued operation

During the six months ended 30 September 2022, the Group disposed of CD Enterprises Company Limited and its subsidiaries which were principally engaged in sourcing, manufacturing and sale of plywood products. The Group recorded a profit of approximately HK\$12.0 million from discontinued operation comparing to a profit of approximately HK\$1.7 million in the previous year, it was mainly due to the transfer of some plywood orders from Southeast Asia to China because the COVID-19 epidemic has greatly affected the plywood production in this region since August 2021.

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 2022, 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 2022, the Group maintained cash and cash equivalents amounting to approximately HK\$0.9 million (as at 31 March 2022: approximately HK\$8.1 million). The Group recorded net current liabilities of approximately HK\$95.1 million as at 30 September 2022 compared to net current assets of approximately HK\$18.4 million as at 31 March 2022, mainly due to the increase in short-term bank and other borrowings.

As at 30 September 2022, the Group's total bank and other borrowings, all being denominated in Renminbi, amounted to approximately HK\$164.4 million (as at 31 March 2022: approximately HK\$184.0 million).

As at 30 September 2022, 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 2022, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial year) was approximately 88.6% (as at 31 March 2022: approximately 91.5%).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2022, certain land use rights of the Group with carrying amount of approximately HK\$33.5 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$81.8 million; and certain investment properties of the Group with aggregate carrying amount of approximately HK\$9.1 million were charged to secure bank borrowings of approximately HK\$164.4 million.

CONTINGENT LIABILITIES

As at 30 September 2022, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 30 September 2022, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were nil (as at 31 March 2022: nil).

SIGNIFICANT INVESTMENT

During the six months ended 30 September 2022, the Group did not have any significant investment (2021: nil).

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 placing 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\$8.5 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.

As disclosed in the Company’s annual report published on 29 June 2022, approximately HK\$4.4 million out of the net proceeds of approximately HK\$8.5 million has been utilised as general working capital of the Group. To supplement the above information disclosed in the annual report, the unutilised net proceeds was expected to be fully utilised in 2022 and as at the date of this report, it has been fully utilised as general working capital of the Group.

THE DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

On 16 February 2022 (after trading hours), the Company, being the vendor, entered into a sale and purchase agreement with Faith Sino Ventures Limited, being the purchaser, pursuant to which the purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the entire issued share capital of CD Enterprises Company Limited, a company incorporated in the British Virgin Islands with limited liability and was a direct wholly-owned subsidiary of the Company, at a consideration of HK\$47,707,803 in cash.

The disposal completed on 30 June 2022. Upon the completion of the disposal, CD Enterprises Company Limited and its subsidiaries ceased to be subsidiaries of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

For details, please refer to the announcements of the Company dated 16 February 2022, 9 March 2022 and 30 June 2022 and the circular of the Company dated 13 May 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Saved as disclosed in this report, no material acquisitions or disposals of its subsidiaries or affiliated companies were made by the Group for the six months ended 30 September 2022.

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 2022, the Group had a total of 38 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 2022, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

FUTURE PROSPECTS

In previous years, 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. Due to the continuous instability of overseas business, the Group was more susceptible to the changes in the global economic environment. During recent years under the COVID-19 pandemic environment, the Group’s business performance in the PRC remained relatively stable in general. In view of the prospect of the wooden product market in the PRC, the Group determined to end all its export-related business. On 16 February 2022, the Group entered into a sale and purchase agreement with Faith Sino Ventures Limited to dispose of the sub-group wholly owned by CD Enterprises Company Limited, a wholly-owned subsidiary of the Company. The sub-group was principally engaged in the sourcing, manufacturing and sale of plywood products, its main market is Japan. Upon completion of the disposal, the Group will focus on the domestic market, and will remain engaged in the sourcing, manufacturing, trading and sale of various wooden products including but not limited to wooden building components and other wooden products such as wooden structural components, wooden doors and windows and wooden furniture. The Group has been striving for enriching its product categories and to explore the market in China. The Group also aims to increase sales to the downstream market by cooperating with other panel processing enterprises for the process and manufacturing of wooden products.

The Group has strived to overcome the adverse impact brought by the COVID-19 pandemic, done its best in seeking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. 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 in the sourcing, manufacturing, trading and sale of wooden products, 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 2022, 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 2022.

Save as disclosed above, as at 30 September 2022, 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 2022, 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 2022, 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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2022, 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 2022 and as of 30 September 2022, no share options were outstanding.

During the six months ended 30 September 2022, no share options were granted pursuant to the Share Option Scheme.

As at 30 September 2022, 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 2022 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 2022 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 2022

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.