



# 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  
**2023**

## 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 2023, together with comparative figures for the corresponding periods in 2022 as follows:

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

For the three months and six months ended 30 September 2023

		(Unaudited)			
		Three months ended 30 September		Six months ended 30 September	
NOTES	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	
Continuing operations					
Revenue	12,456	9,456	36,966	18,433	
Cost of sales	(8,916)	(5,700)	(27,810)	(13,307)	
Gross profit	3,540	3,756	9,156	5,126	
Other income	245	571	476	3,745	
Other gains and losses, net	(59)	–	(43)	(12,537)	
Selling expenses	(24)	(79)	(58)	(84)	
Administrative expenses	(3,063)	(2,857)	(5,561)	(5,797)	
Profit/(loss) from operations	639	1,391	3,970	(9,547)	
Finance costs	(3,495)	(3,790)	(7,466)	(7,721)	
Loss before taxation	(2,856)	(2,399)	(3,496)	(17,268)	
Income tax expense	–	–	–	–	
Loss for the period from continuing operations	(2,856)	(2,399)	(3,496)	(17,268)	
Discontinued operation					
Profit for the period from discontinued operation	–	–	–	12,039	

NOTES	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Loss for the period attributable to equity shareholders of the Company	(2,856)	(2,399)	(3,496)	(5,229)
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>	5	(1,653)	(437)	(5,580)
Other comprehensive income/ (expense) for the period	5	(1,653)	(437)	(1,007)
Total comprehensive expense for the period attributable to equity shareholders of the Company	(2,851)	(4,052)	(3,933)	(6,236)
(Loss)/profit for the period attributable to equity shareholders of the Company				
– from continuing operations	(2,856)	(2,399)	(3,496)	(17,268)
– from discontinued operation	–	–	–	12,039
Loss for the period	(2,856)	(2,399)	(3,496)	(5,229)

		(Unaudited)			
		Three months ended 30 September		Six months ended 30 September	
NOTES		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
(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		(1.09)	(0.91)	(1.33)	(6.58)
– from discontinued operation		–	–	–	4.59
Loss per share for the period		(1.09)	(0.91)	(1.33)	(1.99)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	NOTES	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		106,593	114,065
Investment properties		33,352	34,795
Right-of-use assets		32,207	34,589
Intangible assets		825	995
Other non-current assets		434	459
<b>Total non-current assets</b>		<b>173,411</b>	<b>184,903</b>
<b>Current assets</b>			
Inventories		38,801	19,372
Trade and other receivables	10	19,283	23,036
Contract assets		7,281	7,708
Other current assets		291	–
Cash at bank and on hand		735	644
		<b>66,391</b>	<b>50,760</b>

	NOTES	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	66,051	47,276
Contract liabilities		4,509	5,678
Bank borrowings	12	52,739	169,762
Lease liabilities		447	443
		123,746	223,159
<b>NET CURRENT LIABILITIES</b>		<b>(57,355)</b>	<b>(172,399)</b>
<b>Non-current liabilities</b>			
Bank borrowings	12	107,631	–
Deferred income tax liabilities		2,796	2,689
Deferred income		248	285
Lease liabilities		–	216
<b>Total non-current liabilities</b>		<b>110,675</b>	<b>3,190</b>
<b>NET ASSETS</b>		<b>5,381</b>	<b>9,314</b>
<b>EQUITY</b>			
Share capital		2,625	2,625
Reserves		2,756	6,689
<b>TOTAL EQUITY</b>		<b>5,381</b>	<b>9,314</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	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 2023 (audited)	2,625	80,541	41,355	2,091	1,051	(118,349)	9,314
Comprehensive expense Loss for the period <sup>1</sup>	-	-	-	-	-	(3,496)	(3,496)
Other comprehensive expense Currency translation differences	-	-	-	-	(437)	-	(437)
Total comprehensive expense	-	-	-	-	(437)	(3,496)	(3,933)
Balance at 30 September 2023 (unaudited)	2,625	80,541	41,355	2,091	614	(121,845)	5,381

	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 (5,580)	-	4,573 (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



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	(Unaudited) Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Net cash (used in)/generated from operating activities	(2,526)	19,249
Net cash generated from/(used in) investing activities	164	(644)
Net cash generated from/(used in) financing activities	2,481	(25,476)
Net increase/(decrease) in cash and cash equivalents	119	(6,871)
Cash and cash equivalents at 1 April	644	8,069
Effect of foreign exchange rate changes	(28)	(334)
Cash and cash equivalents at 30 September	735	864

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

### 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 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:

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

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.

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 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Liability in a Sale and Leaseback <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> 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 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 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\$3.5 million for the six months ended 30 September 2023. As at 30 September 2023, the Group had net current liabilities of approximately HK\$57.4 million while the Group only had a balance of cash and cash equivalents of approximately HK\$0.7 million. These conditions may cast significant doubt on the Group’s ability to continue as a going concern.

With respect to the above conditions, the directors of the Company have carried out a detailed review of the cash flow forecast of the Group prepared by management over a forecast period of 12 months from the end of the reporting date (“Cash Flow Forecast”) with the following taken into consideration when assessing the appropriateness of the use of the going concern for preparing the consolidated financial statements:

- The bank borrowing amounting of approximately HK\$107.7 million repayable on 2 July 2023 has been early renewed on 30 June 2023 for an extension of two years to 28 June 2025. The bank borrowing amounting of approximately HK\$52.7 million repayable on 22 October 2023 has been early renewed on 19 October 2023 for an extension of two years to 16 October 2025;
- The shareholders have undertaken not to request the Group to repay the amounts of approximately HK\$45.8 million due to them until the Group has sufficient liquidity which determined by the Group to finance its operations; and
- The Group entered into sales framework agreements (“Framework Agreements”) with its major customers for the sale of wooden products and supplementary materials for a total consideration of approximately HK\$122.2 million. Although the development of the property market in China is showing a downward trend in the first half of year 2023, and Hebei Province suffered from severe floods in early August 2023, the management believed that the expected sales would materialize to a material extent given the recurring demand of the Group’s wooden products and supplementary materials since April 2023. In addition to the major customers under the Framework Agreements, the Group has also strived to seek other customers to increase its sales revenue.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Basis of measurement and going concern assumption (Continued)

Based on the above, the directors of the Company 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. Nevertheless, the validity of the use of the going concern basis depends on the successful implementation of the above plans and measures, including the successful achievement of the targeted sales based on the Framework Agreements, the shareholders' ability to honour their undertakings to the Group, and also the successful renewal of bank loan upon maturity. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Timing of revenue recognition				
At a point in time				
Sale of structural panel	1,448	304	9,456	1,230
Sale of supplementary materials use in construction	707	282	2,797	650
Others	128	–	254	233
	2,283	586	12,507	2,113
Transferred over time				
Made-to-order wooden products	10,173	8,870	24,459	16,320
	12,456	9,456	36,966	18,433

#### 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
The People's Republic of China ("PRC")	12,456	9,456	36,966	18,433

#### 5 FINANCE COSTS

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Interests on bank borrowings	3,488	3,786	7,451	7,716
Interests on lease liabilities	7	4	15	5
	3,495	3,790	7,466	7,721

#### 6 LOSS BEFORE TAXATION

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Loss before taxation has been arrived at after charging:				
Directors' remuneration	120	120	240	240
Other staff costs	604	758	1,322	1,656
Contributions to defined contribution retirement plans	34	49	73	101
	758	927	1,635	1,997
Cost of inventories	8,916	5,700	27,810	13,307

## 7 INCOME TAX EXPENSE

	(Unaudited)			
	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000 (Re-presented)	2023 HK\$'000	2022 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 subsidiaries of the Group incorporated in Hong Kong is subject to HK Profits Tax under a two-tiered profits tax rates regime. The first HK\$2 million of profits are taxed at 8.25%, and the remaining profits above HK\$2 million are taxed at 16.5%.
- (ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2023 (2022: 25%).

## 8 DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 September 2023.

## 9 LOSS PER SHARE

The calculation of the basic and diluted loss 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	
	2023	2022	2023	2022
(Loss)/profit (HK\$'000)				
(Loss)/profit for the purpose of calculating the basic and dilutive earnings per share				
– from continuing operations	(2,856)	(2,399)	(3,496)	(17,268)
– from discontinued operation	–	–	–	12,039
Loss for the period	(2,856)	(2,399)	(3,496)	(5,229)
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	262,473	262,473	262,473	262,473
(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	(1.09)	(0.91)	(1.33)	(6.58)
– from discontinued operation	–	–	–	4.59
Loss per share for the period	(1.09)	(0.91)	(1.33)	(1.99)

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2023 and 30 September 2022.

## 10 TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Trade receivables due from third parties	10,690	7,954
Less: Loss allowance	(5,702)	(5,702)
	4,988	2,252
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	4,113	12,401
– Receivable for trading of other goods	7,477	8,919
– Receivable from tenants	414	–
– Others	2,291	269
	14,295	21,589
Less: Loss allowance	–	(805)
Other receivables	14,295	20,784
Trade and other receivables	19,283	23,036

### 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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within 30 days	4,324	1,068
31 to 60 days	–	–
61 to 90 days	–	–
91 to 180 days	–	–
Over 180 days	664	1,184
	4,988	2,252

The credit period ranging from 30-90 days is granted from date of delivery of goods.



## 11 TRADE AND OTHER PAYABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Trade payables:		
– Amounts due to third parties	2,473	2,242
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	7,210	3,877
– Amounts due to then related parties of Hebei Youlin Technology Company Limited*	56	60
– Payables for acquisition of property, plant and equipment	3,713	9,625
– Interest payables	412	436
– Other tax payables	1,038	1,037
– Other accruals and payables	8,821	1,405
– Advance from related parties	42,328	28,594
	63,578	45,034
	66,051	47,276

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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within 30 days	653	207
31 to 60 days	–	8
61 to 90 days	–	2
Over 90 days	1,820	2,025
	2,473	2,242

\* for identification purpose only

## 12 BANK BORROWINGS

The Group's bank borrowings are analysed as follows:

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Bank borrowings:		
– Secured	160,370	169,762
Less: current portion of bank borrowings	(52,739)	(169,762)
	107,631	–
Within 1 year	52,739	169,762
After 1 year but within 2 years	107,631	–
	160,370	169,762

## 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 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Advances from related parties	19,536	23,531
Repayments to related parties	(1,991)	(72,201)

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in sourcing, manufacturing and sale of wooden products including but not limited to structural panels, supplementary materials used in construction and made-to-order wooden products. The Group's major made-to-order wooden products/services principally include, among others, (i) wooden structural components; (ii) alu-clad wooden doors and windows; (iii) customized wooden furniture; (iv) assembly and installation services for the abovementioned products; and (v) other customized products. The Group maintains its reputation and customer loyalty by adopting a good standard of production management and quality control towards its products/services.

The Group's customers principally consist of property developers and construction works and engineering companies. For property developers and construction works and engineering companies, in general the Group is engaged on a project-base basis. The Group provides one-stop made-to-order services to these customers, process of which usually involve, among others, (i) sourcing and procurement of raw materials from suppliers based on customers' requirements; (ii) if required, processing the raw materials into materials for construction use according to the customers' requests and specifications; (iii) if required, arranging logistics services for delivery of products to the specific construction sites upon customers' request; and (iv) if required, assembling and installing the finished products at the locations upon customers' request.

During the past financial year, as the COVID-19 outbreak continued, China implemented the most stringent anti-pandemic measures since the outbreak, making it the most difficult time for the Group's business since the outbreak. The resurgence of the pandemic across China since last February, and the "dynamic zero-Covid" policy has led to significant restrictions on personnel and logistics, as well as a shrinking domestic market. Since December 2022, economic activities in China began to resume after the adjustment to the anti-pandemic measures, the business activities in the affected regions reactivated and the economy started to gain its momentum, the Group's productions gradually started to resume since February 2023. In the first half of the year 2023, the development of the property market in China is showing a downward trend, and Hebei Province suffered from severe floods in early August 2023, the Group's sales revenue fell by approximately 49.2% from approximately HK\$24.5 million in the first quarter to approximately HK\$12.5 million in the second quarter. In the second half, the Group will not only focus on achieving its sales targets set under the Framework Agreements, but will also strive to seek other customers to increase its sales revenue.

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

### Revenue

During the six months ended 30 September 2023, the Group recorded revenue of approximately HK\$37.0 million, representing an increase of approximately 101.1% comparing to the previous year (2022: approximately HK\$18.4 million). The increase was mainly attributable to the increase in demand for wooden products as a result of the resumption of economic activities in China after the adjustment to the anti-pandemic measures.

### Gross profit

The gross profit for the six months ended 30 September 2023 increased by approximately 80.4% to approximately HK\$9.2 million (2022: approximately HK\$5.1 million). The increase was mainly attributable to the increase in demand for wooden products as a result of the resumption of economic activities in China after the adjustment to the anti-pandemic measures.

### Loss for the period

During the six months ended 30 September 2023, the Group recorded a loss of approximately HK\$3.5 million, representing an approximately HK\$13.8 million decrease comparing to the previous year (2022: loss of approximately HK\$17.3 million).

The decrease was mainly due to (i) the increase in gross profit by approximately HK\$4.1 million to approximately HK\$9.2 million for the six months ended 30 September 2023 (2022: approximately HK\$5.1 million); and (ii) the decrease in other losses by approximately HK\$12.4 million to approximately HK\$0.1 million for the six months ended 30 September 2023 (2022: other losses of approximately HK\$12.5 million), mainly due to a loss derived from the disposal of subsidiaries of approximately HK\$12.5 million during the six months ended 30 September 2022. Such decreases were offset by the decrease in other income by approximately HK\$3.2 million to approximately HK\$0.5 million for the six months ended 30 September 2023 (2022: approximately HK\$3.7 million), mainly due to the early termination of the lease of a subsidiary's investment property on 24 March 2023 which led to the decrease in rental income.

## **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 2023, 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 borrowings.

As at 30 September 2023, the Group maintained cash and cash equivalents amounting to approximately HK\$0.7 million (as at 31 March 2023: approximately HK\$0.6 million). The Group recorded net current liabilities of approximately HK\$57.4 million as at 30 September 2023 (as at 31 March 2023: approximately HK\$172.4 million), the decrease was mainly attributable to the early renewal of approximately HK\$107.6 million bank borrowing on 30 June 2023 for an extension of two years to 28 June 2025.

As at 30 September 2023, the Group's total bank borrowings, all being denominated in Renminbi, amounted to approximately HK\$160.4 million (as at 31 March 2023: approximately HK\$169.8 million).

As at 30 September 2023, 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 2023, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial year) was approximately 97.7% (as at 31 March 2023: approximately 96.0%).

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 September 2023, certain land use rights of the Group with carrying amount of approximately HK\$31.8 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$75.9 million; and certain investment properties of the Group with aggregate carrying amount of approximately HK\$8.7 million were charged to secure bank borrowings of approximately HK\$160.4 million.

### **CONTINGENT LIABILITIES**

As at 30 September 2023, there were no significant contingent liabilities for the Group.

### **CAPITAL COMMITMENTS**

As at 30 September 2023, 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 2023: nil).

### **SIGNIFICANT INVESTMENT**

During the six months ended 30 September 2023, the Group did not have any significant investment (2022: nil).

### **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 2023.

### **FOREIGN EXCHANGE EXPOSURE**

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi, which is the functional currency of the Group. 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 2023, the Group had a total of 26 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 mandatory provident fund scheme for staff in Hong Kong and applicable social insurance scheme for staff in the PRC.

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 2023, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

## **FUTURE PROSPECTS**

The Group will focus on the domestic market, and engage in the sourcing, manufacturing and sale of various wooden products.

The Group has been striving for enriching its product categories and exploring 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 done its best in seeking other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. The Group's strong product development capabilities are highly recognized by its customers, and the Group's sourcing ability for quality raw materials is also consolidated by its established relationships with the suppliers. The Group's experienced and dedicated management team strives to create more diversified customized products and source for higher qualities and industry standards of the wooden products to the Group's development, which enable the Group to deliver and will continue to deliver quality and satisfactory products and services to the Group's customers. 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 and sale of wooden products, and will review the Group's business and operations and continue to seek new business 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 enhance 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 2023, 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 2023.

Save as disclosed above, as at 30 September 2023, 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 2023, 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 2023, 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 2023.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30 September 2023, 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 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 (as defined in the prospectus of the Company dated 12 February 2015) 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 2023 and as of 30 September 2023, no share options were outstanding.

During the six months ended 30 September 2023, no share options were granted pursuant to the Share Option Scheme.

As at 30 September 2023, 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 2023 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 2023 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, 8 November 2023

*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.*