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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF THE GEM ("GEM") OF 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.

This announcement, 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 announcement 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 announcement misleading.

UNAUDITED FINANCIAL RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020, together with comparative figures for the corresponding period of 2019. For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Group has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020
(Expressed in Hong Kong dollars ("HK$"))

	Note	**2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Audited)
Revenues	*3*	**223,489**	243,232
Cost of sales		**(181,014)**	(198,578)
Gross profit		**42,475**	44,654
Other income	*4*	**1,379**	–
Other gains and losses, net	*5*	**(3,511)**	5,093
Selling expenses		**(5,423)**	(7,318)
Administrative expenses		**(40,409)**	(32,605)
Impairment loss on property, plant and equipment		**(11,663)**	–
Impairment loss on right-of-use assets		**(3,590)**	–
(Loss)/profit from operations		**(20,742)**	9,824
Finance costs	*6(a)*	**(11,116)**	(3,467)
(Loss)/profit before taxation	*6*	**(31,858)**	6,357
Income tax credit/(expense)	*7*	**353**	(3,013)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(31,505)**	3,344
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(4,866)**	(5,605)
Other comprehensive income for the year		**(4,866)**	(5,605)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(36,371)**	(2,261)
(Loss)/earnings per share			
Basic and diluted (HK cents)	*8*	**(14.40)**	1.53

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020
(Expressed in HK$)

	Note	**2020** **HK$'000** **(Unaudited)**	2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**219,222**	226,610
Lease prepayment for land use right		**–**	66,269
Right-of-use assets		**60,481**	–
Intangible assets		**1,644**	2,001
Other non-current assets		**2,647**	1,171
Total non-current assets		**283,994**	296,051
Current assets			
Inventories		**51,587**	77,922
Trade and other receivables	*9*	**26,838**	15,942
Lease prepayment for land use right		**–**	1,406
Trading securities		**–**	337
Contract assets		**1,344**	4,383
Other current assets		**12,993**	18,178
Cash and cash equivalents		**11,175**	14,005
Total current assets		**103,937**	132,173
LIABILITIES			
Current liabilities			
Trade and other payables	*10*	**78,662**	98,210
Contract liabilities		**2,011**	1,992
Derivative financial instruments		**–**	99
Bank and other borrowings		**119,376**	103,593
Obligations under a finance lease		**–**	140
Lease liabilities		**1,197**	–
Income tax payable		**261**	2,407
Total current liabilities		**201,507**	206,441
Net current liabilities		**(97,570)**	(74,268)
Non-current liabilities			
Bank and other borrowings		**14,225**	72,032
Deferred income tax liabilities		**5,626**	6,286
Deferred income		**405**	468
Obligations under a finance lease		**–**	404
Lease liabilities		**815**	–
Other non-current liabilities		**113,382**	54,251
Total non-current liabilities		**134,453**	133,441
NET ASSETS		**51,971**	88,342
EQUITY			
Share capital		**2,187**	2,187
Reserves		**49,784**	86,155
TOTAL EQUITY		**51,971**	88,342

NOTES

(Expressed in HK$ unless otherwise indicated)

1 GENERAL INFORMATION AND SIGNIFICANT EVENT

1.1 General Information

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.

1.2 Significant Event

The outbreak of the Novel Coronavirus ("COVID-19") since early 2020 has resulted in a significant decrease in commercial activities in various locations the Group operates and negatively affected the Group's business operations, particular from January to March 2020. The Group has implemented certain mitigating measures to contain costs, including renegotiating reducing discretionary spending, and to preserve the Group's assets, including chasing collection of trade receivables and deferred stock ordering.

In preparing these consolidated financial statements, the Group has taken into the account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment including property, plant and equipment, intangible assets, right of use assets and trade and other receivables. Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The 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 of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of Stock Exchange.

(b) Basis of preparation of the financial statements

The 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 losses after tax of approximately HK$31,505,000 (2019: profit after tax of approximately HK$3,344,000) for the year ended 31 March 2020 and, as of that date, had net current liabilities of approximately HK$97,570,000 (2019: net current liabilities of approximately HK$74,268,000). In addition, the Group had bank and other borrowings of approximately HK$133,601,000 and other non-current liabilities (representing amounts due to shareholders) of approximately HK$113,382,000.

These conditions indicate that a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

With respect to these events or conditions, the directors of the Company have carried out a detailed review of the cash flow forecast of the Group prepared by management for the next twelve months from the reporting date.

With respect to the Group's bank financing, the Group has successfully renewed the banking loans with its principal banks during the year. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the borrowings, and the directors of the Company believe that the existing banking facilities will be renewed when their current terms expire given the good track record and relationships the Group has with the banks.

In addition, subsequent to 31 March 2020, the Group has successfully renewed other borrowing with a third party amounted approximately HK$46,195,000, the loan is unsecured interest bearing at 5% per annum and repayable by 12 months from the date of renewal.

The directors of the Company will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs.

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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their realisable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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

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

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

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

HKFRS 16 – Lease

(i) Impact of the adoption of HKFRS 16

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

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

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Right-of-use assets	69,758
Lease prepayment for land use right (current)	(1,406)
Lease prepayment for land use right (non-current)	(66,269)
Property, plant and equipment	(588)
Obligations under a finance lease (current)	140
Obligations under a finance lease (non-current)	404
Lease liabilities (current)	(651)
Lease liabilities (non-current)	(1,388)

The recognised right-of-use assets relate to the following types of assets:

	HK$'000
Right-of-use assets as at 1 April 2019	
Lease prepayment for land use right	67,675
Properties	1,495
Motor vehicles	588
Total right-of-use assets	69,758

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitments disclosed as at 31 March 2019	3,016
(Less): effect of discounting at the incremental borrowing rate as at 1 April 2019	(60)
(Less): short-term leases recognised on a straight-line basis as expense	(1,461)
Add: obligations under finance leases recognised at 31 March 2019	544
Lease liabilities as at 1 April 2019	2,039
Of which are:	
Current lease liabilities	651
Non-current lease liabilities	1,388
	2,039

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was from 2.25% to 5%.

(ii) The new definition of a lease

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

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

Lease liability

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

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

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

(iv) Accounting as a lessor

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

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

(v) Transition

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sourcing, manufacturing and sale of plywood products and other wooden products.

The executive directors of the Company have been identified as the chief operating decision makers (the "CODM"). The CODM review the Group's revenue analyses by products and by the geographical location in the delivery of goods in order to assess performance and allocation of resources.

Other than revenue analyses, no operating results and other discrete financial information are available for the assessment of performance by the respective major products and customers. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no other segment analysis is presented.

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by timing of recognition and major products as below:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
At a point in time		
Sale of general plywood	**104,097**	174,875
Sale of packing plywood	**4,166**	10,110
Sale of structural panel	**42,141**	43,212
Sale of floor base	**1,611**	6,932
Sale of supplementary materials use in construction	**28,515**	–
Others	**2,476**	8,103
	183,006	243,232
Transferred over time		
Made-to-order wooden products	**40,483**	–
	223,489	243,232

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A	**71,727**	120,777
Customer B *(note)*	**N/A**	34,892
Customer C	**37,880**	7,528

Note:

The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 31 March 2020.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for wooden products that had an original expected duration of one year or less.

(b) Geographic information

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.

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Japan	**120,856**	195,564
The People's Republic of China ("PRC")	**88,406**	35,047
Thailand	**4,682**	5,665
Hong Kong ("HK")	**8,223**	5,677
Other countries	**1,322**	1,279
	223,489	243,232

The Group has operations in two principal geographical areas – HK and the PRC during the years ended 31 March 2020 and 2019. Information about the Group's non-current assets presented based on the location of the non-current assets is as below:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
HK	**531**	1,248
PRC	**283,463**	294,803
	283,994	296,051

4 OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank interest income	**15**	–
Government subsidies	**539**	–
Rental income	**197**	–
Others	**628**	–
	1,379	–

5 OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net loss on disposal of property, plant and equipment	**(79)**	(119)
Net loss arising from forward foreign exchange contracts	**(1,998)**	(68)
Net gain/(loss) on disposal of equity securities	**8**	(107)
Net foreign exchange (losses)/gains	**(1,473)**	506
Gain on a bargain purchase	**-**	4,729
Others	**31**	152
	(3,511)	5,093

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(a) Finance costs		
Interest on bank and other borrowings	**11,035**	3,430
Finance charges on obligations under a finance lease	**–**	37
Interest on lease libilities	**81**	–
	11,116	3,467

No borrowing costs have been capitalised for the years ended 31 March 2020 and 2019.

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(b) Staff costs		
Salaries, wages and other benefits	**21,588**	20,862
Contributions to defined contribution retirement plans	**1,365**	1,315
	22,953	22,177

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in HK. The assets of the scheme are held separately from those of the Group, in funds under the control of a trustee. The Group contributes 5% of relevant payroll costs to the scheme, of which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)

(c) Other items

	2020	2019
Depreciation of property, plant and equipment	**10,297**	2,994
Amortisation of intangible assets	**229**	–
Amortisation of lease prepayments	**–**	613
Depreciation of right-of-use assets		
– Properties	**1,038**	–
– Motor vehicles	**144**	–
– Equipment	**38**	–
– Land use right	**1,349**	–
Operating lease charges in respect of properties and machinery	**–**	2,963
Short term lease expenses	**1,461**	–
Auditors' remuneration		
– audit services	**1,180**	2,010
– in connection with the major acquisitions	**–**	2,736
Impairment loss on property, plant and equipment	**11,663**	–
Impairment loss on right-of-use assets	**3,590**	–
Cost of inventories#	**181,014**	198,578

Cost of inventories includes HK$15,418,000 (2019: HK$9,630,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 TAXATION

The amount of tax recognised in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax:		
Provision for PRC Corporate Income Tax for the year	**–**	808
Provision for Hong Kong Profits Tax for the year	**2**	1,906
(Over)/Under-provision of PRC Corporate Income Tax in prior years	**(56)**	207
	(54)	2,921
Deferred income tax	**(299)**	92
	(353)	3,013

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 March 2020 (2019: 16.5%).

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.

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 year ended 31 March 2020 (2019: 25%).

8 (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	(Unaudited)	(Audited)
(Loss)/earnings *(HK$'000)*		
(Loss)/earnings for the purpose of calculating the basic and dilutive earnings per share	**(31,505)**	3,344
Numbers of shares *('000)*		
Weighted average number of ordinary shares in issue	**218,733**	218,733
(Loss)/earnings per share *(HK$)*		
Basic and dilutive	**(14.40)**	1.53

There were no potential dilutive ordinary shares outstanding during the years ended 31 March 2020 and 31 March 2019.

9 TRADE AND OTHER RECEIVABLES

	2020 *HK$'000* (Unaudited)	2019 *HK$'000* (Audited)
Trade receivables due from third parties	**19,613**	11,640
Less: Loss allowance	**(96)**	(103)
Trade receivables	**19,517**	11,537
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	**6,316**	4,964
– Others	**1,875**	370
	8,191	5,334
Less: Loss allowance	**(870)**	(929)
Other receivables	**7,321**	4,405
Trade and other receivables	**26,838**	15,942

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

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:

	2020 *HK$'000* (Unaudited)	2019 *HK$'000* (Audited)
Within 30 days	**17,571**	6,573
31 to 60 days	**146**	2,297
61 to 90 days	**224**	240
91 to 180 days	**1,028**	2,427
Over 180 days	**548**	–
	19,517	11,537

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.

At 31 March 2020, trade receivables with an aggregate carrying amount of HK$5,371,000 (2019: HK$3,274,000) are supported by letters of credit. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables:		
– Amounts due to third parties *(note (ii))*	**20,197**	12,927
Other payables and accrued expenses:		
– Payables for staff related costs	**6,936**	8,283
– Amounts due to then related parties of Hebei Youlin *(note (i))*	**547**	33,965
– Payables for acquisition of property, plant and equipment	**34,976**	21,920
– Payables for acquisition of a subsidiary (Hebei Youlin)	**11,648**	13,099
– Interest payables	**263**	817
– Other accruals and payables	**4,095**	7,199
	78,662	98,210

Note:

(i) At 31 March 2020, amounts due to then related parties of Hebei Youlin Technology Company Limited ("Hebei Youlin") include advances from Mr. Huo Julin, one of the then equity owners of Hebei Youlin, amounting to HK$547,000 (2019: HK$12,281,000) and advances from a company with 20% of equity interests held by Mr. Li Xianfeng, another then equity owner of Hebei Youlin amounting to HK$Nil (2019: HK$21,684,000), which are unsecured, non-interest bearing and expected to be settled within one year.

(ii) All of the trade and other payables as at 31 March 2020 and 2019 are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**8,788**	6,293
31 to 60 days	**375**	1,255
61 to 90 days	**4,296**	707
Over 90 days	**6,738**	4,672
	20,197	12,927

11 DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products. The Group's major products can be categorised into (i) general plywood used in interior applications of buildings and manufacture of wooden furniture for home and office; (ii) packing plywood used as packaging material; (iii) structural panel used for construction; (iv) floor base used for flooring; (v) supplementary materials used for construction; and (vi) other wooden products.

The competition in the plywood market among countries was keen as the technical content of plywood products is low. The recent Sino-US trade war and the COVID-19 epidemic has significant impact on the sales revenue of plywood products. The Group's sales volume of plywood products decreased by approximately 29.0% from approximately 66,500 cubic meters for the year ended 31 March 2019 to approximately 47,240 cubic meters for the year ended 31 March 2020. The additional high-margin wooden products, such as wooden structure and aluminum clad wooden windows, increased the average gross profit margin by approximately 0.6% to approximately 19.0% for the year ended 31 March 2020 (2019: approximately 18.4%).

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the 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 year ended 31 March 2020, the Group recorded the revenue of approximately HK$223.5 million, representing an approximately 8.1% decrease comparing to the previous year (2019: approximately HK$243.2 million). The decrease was mainly attributable to the decrease in the revenue from plywood products sales by approximately 35.3% as a result of the decrease in orders received from the existing customers led by the weaken plywood demand, which was partially offset by the revenue from Hebei Youlin that began to be consolidated into the Group's consolidated accounts from this year.

Gross profit margin

The gross profit margin of the Group increased from approximately 18.4% for the year ended 31 March 2019 to approximately 19.0% for the year ended 31 March 2020. The major reason for such increase was that some new wooden products have higher profit margin than plywood products.

Selling expenses

The selling expenses decreased by approximately 26.0% from approximately HK$7.3 million for the year ended 31 March 2019 to approximately HK$5.4 million for the year ended 31 March 2020. The decrease was mainly due to the significant decrease in the sales volume of plywood products.

(Loss)/profit for the year

The Group recorded a loss of approximately HK$31.5 million for the year ended 31 March 2020 compared to a profit of approximately HK$3.3 million for the year ended 31 March 2019.

The decrease was mainly due to i) the decrease in gross profit by approximately HK$2.2 million to approximately HK$42.5 million which was mainly attributable to the decrease in revenue from plywood products sales as described above for the year ended 31 March 2020 (2019: approximately HK$44.7 million); ii) the decrease in other gains and losses by approximately HK$8.6 million to approximately HK$3.5 million other loss (2019: approximately HK$5.1 million other gains); iii) the increase in administrative expenses by approximately HK$7.8 million to approximately HK$40.4 million a result of the consolidation of the administrative expenses from Hebei Youlin that began to be consolidated into the Group's consolidation account for the year ended 31 March 2020 (2019: approximately HK$32.6 million); iv) the increase in impairment loss on property, plant and equipment amounting to approximately HK$11.7 million; v) the increase in impairment loss on right-of-use assets amounting to approximately HK$3.6 million; and vi) the increase in finance costs by approximately HK$7.6 million to approximately HK$11.1 million as a result of the consolidation of the finance costs from Hebei Youlin that began to be consolidated into the Group's consolidation account for the year ended 31 March 2020 (2019: approximately HK$3.5 million). Such decrease was offset by i) the increase in other income of approximately HK$1.4 million to approximately HK$1.4 million (2019: HK$Nil); ii) the decrease in selling expenses by approximately HK$1.9 million to approximately HK$5.4 million for the year ended 31 March 2020 (2019: approximately HK$7.3 million); and iii) the change in the income tax by approximately HK$3.4 million to a net tax credit of approximately HK$0.4 million for the year ended 31 March 2020 (2019: net tax charge of approximately HK$3.0 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 31 March 2020, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 31 March 2020, the Group maintained cash and cash equivalents amounting to approximately HK$11.2 million (as at 31 March 2019: approximately HK$14.0 million). Net current liabilities increased from approximately HK$74.3 million as at 31 March 2019 to approximately HK$97.6 million as at 31 March 2020, mainly due to the increase in short-term bank and other borrowings.

As at 31 March 2020, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK$133.6 million (as at 31 March 2019: approximately HK$175.6 million).

As at 31 March 2020, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised issued share capital and reserves.

As at 31 March 2020, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial year) was approximately 86.6% (as at 31 March 2019: approximately 79.4%). The increase in gearing ratio was mainly due to the impairment made on property, plant and equipment and right-of-use assets.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2020, the Group's trade receivables of approximately HK$2.4 million were charged to secure discounted export bills with full recourse.

As at 31 March 2020, the Group's land use rights of carrying amount of approximately HK$23.8 million and inter-company trade receivables of approximately HK$3.7 million were charged to secure bank borrowings of approximately HK$26.4 million.

CONTINGENT LIABILITIES

As at 31 March 2020, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 2020, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK$0.8 million (as at 31 March 2019: approximately HK$3.5 million).

SIGNIFICANT INVESTMENT

During the year ended 31 March 2020, the Group did not have any significant investment (2019: HK$Nil).

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 31 March 2020, the Group had a total of 205 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 31 March 2020, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2020 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FUTURE PROSPECTS

In previous years, as the Group's business has mainly focused on the production and sales of plywood products, and the Group's customers were mainly scattered in Japan and some other countries or areas such as Thailand and Hong Kong, the Group was more susceptible to the changes in the global economic environment. Therefore, the Group has been working hard to enrich its product categories and to explore the market in China. In recent years, the market in Northern China has been driven by favourable government policies such as the coordinated development for the Beijing-Tianjin-Hebei region. The Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region（《京津冀協同發展規劃綱要》）aims to achieve environmental sustainability, integrated transport services and industrial upgrading. In particular, the development of the new Xiong'an District has provided ample business opportunities for the sale of high-quality wooden products such as plywood and other wooden products like wooden structure, wooden panels, wooden doors and windows to be used in the property development projects. To capture these business opportunities, the Group has expanded its business to Northern China by strengthening its trading business and acquired Hebei Youlin Technology Company Limited*（河北優林科技有限公司）("Hebei Youlin") as its wholly-owned subsidiary. The production plant of Hebei Youlin at Ningjin County, Hebei Province, PRC is primarily engaged in the sourcing, manufacturing and sale of wooden products. The acquisition of Hebei Youlin provides the Group with new business growth point. The Group also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries or areas, the management is also looking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. In order to expand our customer base together with the business growth, certain trading subsidiaries of the Group have obtained the Forest Stewardship Council ("FSC") certification by which they can be involved in the chains of trade of the FSC products. The Directors believe that the Group is in a more advantageous position to further develop and expand its market and products than the small-scale local enterprises.

At the current stage, the Board will maintain the Group's existing principal activities, and will review the Group's business and operations and continue to seek new opportunities to enhance and strengthen the business of the Group. The Board may consider to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. The Board also adopts various measures to enhance the internal control system, the Directors' continuous professional development and other areas of corporate governance practice. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct reviews and improve the quality of corporate governance practices with reference to local and international standards.

During the year ended 31 March 2020, the Company had complied with the code provisions as set out in the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The Company established an audit committee (the "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.

The Audit Committee has reviewed the annual results and financial statements of the Group for the year ended 31 March 2020 and recommended to the Board for approval.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 March 2020 has not been completed as at the date of this announcement due to travel and work restrictions as a result of the outbreak of COVID-19.

The unaudited consolidated results of the Group for the year ended 31 March 2020 contained herein have been reviewed by the Audit Committee but have not been agreed by the Company's auditor. An announcement relating to the Company's audited results for the year ended 31 March 2020 will be published when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF ANNUAL REPORT AND AUDITED ANNUAL RESULTS

As the completion of the auditing process depends on the travel restrictions and quarantine arrangements in relation to the COVID-19 epidemic, it is therefore difficult to estimate a completion date for the auditing process with reasonable preciseness. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and the PRC, and hopefully, expects to publish the Company's annual report and the audited annual results of the Group for the year ended 31 March 2020 by 20 July 2020. Further announcement(s) will be made as and when appropriate.

This unaudited annual results announcement is published on the website of the Company at www.steedoriental.com.hk and the website of Stock Exchange at www.hkexnews.hk. The annual report and the notice of annual general meeting will be despatched to the Shareholders and will be available on the above websites in due course.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Company's shares or other securities of the Company.

By Order of the Board
Steed Oriental (Holdings) Company Limited
Sun Xue Song
Chairman and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises Ms. Sun Xue Song and Mr. Xue Zhao Qiang as executive Directors; Mr. Ding Hongquan as non-executive Director; Mr. Wang Wei, Ms. Dong Ping and Mr. Zhu Da as independent non-executive Directors.

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least seven days from the date of its publication and will be published on the website of the Company at www.steedoriental.com.hk.