**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)**

# FURTHER ANNOUNCEMENT ON THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

## AUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 30 June 2020, in relation to the unaudited annual results for the year ended 31 March 2020 ("**2020 Unaudited Annual Results Announcement**"). Capitalised terms used herein shall have the same meanings as those defined in 2020 Unaudited Annual Results Announcement, unless the context otherwise requires.

The Board hereby announces that the Company's auditor, BDO Limited ("**BDO**"), has completed its audit of the consolidated financial statements of the Group for the year ended 31 March 2020 ("**2020 Audited Annual Results**") in accordance with Hong Kong Standards on Auditing issued by the HKICPA. In consequence, 2020 Audited Annual Results remain unchanged as compared with the 2020 Unaudited Annual Results Announcement except for the following:

**Note 1.2 Significant Event**

Unaudited:

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.

Audited:

Since early 2020, the outbreak of the COVID-19 is expected to have an adverse impact on the operations and business of the Group. The Group's factories in the PRC were temporarily shut down for around a month until their reopening in early March 2020, and these factories generally had been restored to their normal operation capacities in late March 2020. The directors of the Company have been continuously monitoring the impact arising from the outbreak of COVID-19 and have not been aware of any material adverse effects on the consolidated financial statements.

**Note 2 (b) Basis of preparation of the financial statements**

Unaudited:

**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.

Audited:

**Basis of measurement and going concern assumption**

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: HK$74,268,000). As at 31 March 2020, the Group had total bank and other borrowings of approximately HK$133,601,000 and other non-current liabilities (representing amounts due to shareholders, as detailed in Note 25) of approximately HK$113,382,000.

Since early 2020, the outbreak of the COVID-19 is expected to have an adverse impact on the operations and business of the Group. The Group's factories in the PRC were temporarily shut down for around a month until their reopening in early March 2020, and these factories generally had been restored to their normal operation capacities in late March 2020. The directors of the Company have been continuously monitoring the impact arising from the outbreak of COVID-19 and have not been aware of any material adverse effects on the consolidated financial statements.

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 the following taken into consideration:

- The Group has successfully renewed the bank borrowings with its lenders before these financial statements are authorised for issue for an aggregate balance approximately HK$101,448,000 included in the aforementioned bank and other borrowings as at 31 March 2020 for one year with their terms and conditions unchanged. The directors of the Company performed an assessment and are of the opinion that these borrowings could be further renewed when their terms expire;

- Subsequent to the reporting date, the Group raised a term loan amounted to approximately HK$109,477,000. The loan is secured with the land use right and properties of the Group, with interest bearing at 9.24% per annum, repayable in year 2023;

– Renewed the loan agreement with the shareholders that they confirmed not to request the Group to repay the aforementioned amount within 12 months and accordingly the amounts were classified as non-current liabilities. After the 12 months, the amounts would become repayable when the Group is in the position to repay;

– Performed sensitivity analysis on key perimeters when preparing the cash flow forecast.

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.

**Note 2 (c) (i) Impact of the adoption of HKFRS 16**

Unaudited:

| | *HK$'000* |
|---|---|
| **Consolidated statement of financial position as at 1 April 2019** | |
| Lease liabilities (current) | (651) |
| Lease liabilities (non-current) | (1,388) |

| | *HK$'000* |
|---|---|
| **Reconciliation of operating lease commitment to lease liabilities** | |
| Of which are: | |
| Current lease liabilities | 651 |
| Non-current lease liabilities | 1,388 |
| | 2,039 |

Audited:

| | *HK$'000* |
|---|---|
| **Consolidated statement of financial position as at 1 April 2019** | |
| Lease liabilities (current) | (1,124) |
| Lease liabilities (non-current) | (915) |

| | HK$'000 |
|---|---|
| **Reconciliation of operating lease commitment to lease liabilities** | |
| Of which are: | |
| Current lease liabilities | 1,124 |
| Non-current lease liabilities | 915 |
| | 2,039 |

**Note 6(b) Staff costs**

Unaudited:

| | **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 |

Audited:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(b) Staff costs** | | |
| Salaries, wages and other benefits | **24,033** | 20,862 |
| Contributions to defined contribution retirement plans | **1,736** | 1,315 |
| | **25,769** | 22,177 |

**Note 6(c) Other items**

Unaudited:

**(c) Other items**

\# 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.

Audited:

**(c) Other items**

\# Cost of inventories includes HK$19,095,000 (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.

**Note 10 TRADE AND OTHER PAYABLES**

Unaudited:

| | **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.

Audited:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables: | | |
| – Amounts due to third parties *(note (iii))* | **20,197** | 12,927 |
| Other payables and accrued expenses: | | |
| Recognised at amortised cost | | |
| – 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 |
| – Interest payables | **263** | 817 |
| – Other accruals and payables | **4,095** | 7,199 |
| Recognised at fair value through profit or loss | | |
| – Contingent consideration payable for acquisition of a subsidiary *(note (ii))* | **11,648** | 13,099 |
| | **78,662** | 98,210 |

*Note:*

(i) At 31 March 2020, amounts due to then related parties of 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) It represents the second instalment payable under the settlement agreement related to the acquisition of Hebei Youlin, the Group is committed to paying a maximum aggregate amount of HK$11,648,000 (2019: HK$13,099,000) contingent payment to the sellers upon fulfilment of certain conditions. Details of the settlement agreement are set out in the Company's announcements dated 24 January 2019 and 14 March 2019.

As at 31 March 2020 and 31 March 2019, the contingent consideration payable represent the fair value of the obligation for the contingent payable in accordance with the new settlement and are estimated by the management, the fair value of the contingent consideration payable was estimated by applying probability of occurrence of certain events as stated in the settlement agreement.

(iii) 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.

Save as aforesaid, BDO confirms that the financial figures stated in the unaudited consolidated statement of comprehensive income and the unaudited consolidated statement of financial position, together with the related notes thereto, as set out in 2020 Unaudited Annual Results Announcement are found to be in agreement with those set out in 2020 Audited Annual Results.

## SCOPE OF WORK OF BDO

The audited figures set out in this further announcement are agreed by BDO, to the amounts as set out in the 2020 Audited Annual Results which have been approved by the Board on 31 July 2020. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by BDO on this announcement.

## REVIEW OF 2020 AUDITED ANNUAL RESULTS

The 2020 Audited Annual Results have been reviewed and approved by the audit committee of the Company. The unqualified auditor's report will be included in the 2020 annual report of the Group.

## PUBLICATION OF THE ANNUAL REPORT

The Company's annual report for the year ended 31 March 2020 containing all the relevant information required by the GEM Listing Rules and other applicable laws will be published on the website of The Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the website of the Company at www.steedoriental.com.hk on 31 July 2020.

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

Hong Kong, 31 July 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.*