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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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

CHARACTERISTICS OF 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 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.

The board of Directors of the Company (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2021, together with comparative figures for the corresponding period of 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

(Expressed in Hong Kong dollars (“HK\$”))

	Notes	2021 HK\$’000	2020 HK\$’000
Revenue	3	181,880	223,489
Cost of sales		<u>(145,987)</u>	<u>(181,014)</u>
Gross profit		35,893	42,475
Other income	4	2,353	1,379
Other gains and losses, net	5	2,214	(3,511)
Selling expenses		(6,043)	(5,423)
Administrative expenses		(46,943)	(40,409)
Fair value gain on investment properties		549	–
Fair value loss upon transfer of properties to investment properties		(2,717)	–
Impairment loss on property, plant and equipment		–	(11,663)
Impairment loss on right-of-use assets		–	<u>(3,590)</u>
Loss from operations		(14,694)	(20,742)
Finance costs	6(a)	<u>(14,093)</u>	<u>(11,116)</u>
Loss before taxation	6	(28,787)	(31,858)
Income tax credit	7	<u>1,288</u>	<u>353</u>
Loss for the year attributable to equity shareholders of the Company		<u>(27,499)</u>	<u>(31,505)</u>
Other comprehensive income			
<i>Item that will not reclassified to profit or loss</i>			
Revaluation gain on transfer of properties to investment properties, net of tax		2,091	–
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>4,597</u>	<u>(4,866)</u>
Other comprehensive income for the year		<u>6,688</u>	<u>(4,866)</u>
Total comprehensive income for the year attributable to equity shareholders of the Company		<u>(20,811)</u>	<u>(36,371)</u>
Loss per share			
Basic and diluted (HK cents)	8	<u>(12.57)</u>	<u>(14.40)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

(Expressed in HK\$)

	Notes	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		189,380	219,222
Investment properties		41,011	–
Right-of-use assets		62,850	60,481
Intangible assets		1,533	1,644
Other non-current assets		598	2,647
Total non-current assets		<u>295,372</u>	<u>283,994</u>
Current assets			
Inventories		46,265	51,587
Trade and other receivables	9	29,757	26,838
Contract assets		8,791	1,344
Other current assets		12,921	12,993
Cash and cash equivalents		20,946	11,175
Total current assets		<u>118,680</u>	<u>103,937</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	63,067	78,662
Contract liabilities		6,441	2,011
Bank and other borrowings		16,890	119,376
Lease liabilities		1,307	1,197
Income tax payable		294	261
Total current liabilities		<u>87,999</u>	<u>201,507</u>
Net current assets/(liabilities)		<u>30,681</u>	<u>(97,570)</u>
Non-current liabilities			
Bank and other borrowings		210,003	14,225
Deferred income tax liabilities		5,428	5,626
Deferred income		392	405
Lease liabilities		105	815
Other non-current liabilities		78,965	113,382
Total non-current liabilities		<u>294,893</u>	<u>134,453</u>
NET ASSETS		<u>31,160</u>	<u>51,971</u>
EQUITY			
Share capital		2,187	2,187
Reserves		28,973	49,784
TOTAL EQUITY		<u>31,160</u>	<u>51,971</u>

NOTES

(Expressed in HK\$ unless otherwise indicated)

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.

2 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 of 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 the 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\$27,499,000 (2020: a loss after tax of approximately HK\$31,505,000) and net cash outflows used in operating activities of approximately HK\$1,282,000 (2020: net cash inflows from operating activities of HK\$6,501,000) for the year ended 31 March 2021. As at 31 March 2021, the Group had trade and other payables of approximately HK\$63,067,000 (note 10) and total bank and other borrowings of approximately HK\$226,893,000 and amounts due to shareholders of approximately HK\$76,114,000.

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 fifteen months from the reporting date with the following taken into consideration:

- Subsequent to 31 March 2021, the Group entered into agreements with the suppliers of the property, plant and equipment to extend the repayment date of the outstanding balance of approximately HK\$14,593,000 out of approximately HK\$28,972,000 as disclosed in note 10. The amounts would become repayable after 30 November 2022;

- Subsequent to 31 March 2021, the Group entered into an agreement with the one of the former equity owners of a subsidiary – Hebei Youlin Technology Company Limited (“Hebei Youlin”), Mr. Li Xianfeng to extend the repayment date of the outstanding balance of approximately HK\$2,525,000 in related to the acquisition of Hebei Youlin as disclosed in note 10. The amount would become repayable after 30 November 2022;
- On 6 May 2021, an aggregate of 43,740,000 new shares of the Company were successfully placed at a price of HK\$0.2 per share through a share placement arrangement and the Group received a net proceed of approximately HK\$8,447,000 after deducting the transaction costs; and
- Renewal of the shareholders’ advances amounting to HK\$76,114,000 where the shareholders confirmed not to request the Group to repay the aforementioned amount within 12 months after the end of the reporting period and accordingly the amounts were classified as non-current liabilities. Subsequent to 31 March 2021, the Group entered into a supplementary agreement with the shareholders to further extend the repayment date of the aforementioned amount for at least 24 months after the reporting date.

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.

(c) Adoption of new or amended HKFRSs

(a) Adoption of new or amended HKFRSs – effective for the current year

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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.

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

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

Amendments to HKFRS 16	Covid-19 Related Rent Concession ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 16	Covid-19 Related Rent Concession beyond 30 June 2021 ³
Amendments to HKAS 16	Proceeds before Intended Use ⁴
Amendments to HKFRSs 2018-2020	Annual Improvements Projects ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁶

¹ Effective for annual periods beginning on or after 1 June 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 April 2021.

⁴ Effective for annual periods beginning on or after 1 January 2022.

⁵ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁶ Effective for annual periods beginning on or after 1 January 2023.

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

3 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.

Disaggregation of revenue

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Timing of revenue recognition		
At a point in time		
Sale of general plywood	79,098	104,097
Sale of packing plywood	1,473	4,166
Sale of structural panel	19,385	42,141
Sale of floor base	1,753	1,611
Sale of supplementary materials use in construction	26,492	28,515
Others	4,103	2,476
	<u>132,304</u>	<u>183,006</u>
Transferred over time		
Made-to-order wooden products	49,576	40,483
	<u>181,880</u>	<u>223,489</u>

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

	2021	2020
	HK\$'000	HK\$'000
Customer A	48,933	71,727
Customer B (<i>note (i)</i>)	N/A	37,880

Notes:

- (i) The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 31 March 2021.
- (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.

	2021	2020
	HK\$'000	HK\$'000
Japan	89,036	120,856
The People's Republic of China ("PRC")	86,551	88,406
Thailand	1,903	4,682
Hong Kong ("HK")	3,437	8,223
Other countries	953	1,322
	181,880	223,489

The Group has operations in two principal geographical areas – HK and the PRC during the years ended 31 March 2021 and 2020. Information about the Group’s non-current assets presented based on the location of the non-current assets is as below:

	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
HK	754	531
PRC	<u>294,618</u>	<u>283,463</u>
	<u>295,372</u>	<u>283,994</u>

4 OTHER INCOME

	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
Rental income	1,464	197
Bank interest income	15	15
Government subsidies (<i>note</i>)	863	539
Gain on changes in fair value of contingent consideration payable	–	628
Others	<u>11</u>	<u>–</u>
	<u>2,353</u>	<u>1,379</u>

Note: The government subsidies mainly represented “Employment Support Scheme (ESS)” and “Air Pollution Prevention” subsidy launched by the Hong Kong government and the PRC government respectively.

5 OTHER GAINS AND LOSSES, NET

	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
Net gain/(loss) on disposal of property, plant and equipment	1,809	(79)
Net loss arising from forward foreign exchange contracts	–	(1,998)
Net gain on disposal of equity securities	–	8
Net foreign exchange gain/(loss)	682	(1,473)
Others	<u>(277)</u>	<u>31</u>
	<u>2,214</u>	<u>(3,511)</u>

6 LOSS BEFORE TAXATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank and other borrowings	14,011	11,035
Interest on lease liabilities	<u>82</u>	<u>81</u>
	<u>14,093</u>	<u>11,116</u>

No borrowing costs have been capitalised for the years ended 31 March 2021 and 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(b) Staff costs		
Salaries, wages and other benefits	24,165	24,033
Contributions to defined contribution retirement plans	<u>591</u>	<u>1,736</u>
	<u>24,756</u>	<u>25,769</u>

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other items		
Depreciation of property, plant and equipment	12,380	10,297
Amortisation of intangible assets	246	229
Depreciation of right-of-use assets		
Properties	733	1,038
Motor vehicles	–	144
Equipment	–	38
Land use right	1,159	1,349
Expected credit loss of trade receivables	1,365	–
Short term lease expenses	372	1,461
Provision for impairment of inventories	2,039	–
Fair value gain on investment properties	(549)	–
Fair value loss upon transfer of properties to investment properties	2,717	–
Auditors' remuneration	1,180	1,180
Impairment loss on property, plant and equipment	–	11,663
Impairment loss on right-of-use assets	–	3,590
Cost of inventories [#]	<u>145,987</u>	<u>181,014</u>

[#] Cost of inventories includes HK\$11,158,000 (2020: HK\$19,095,000) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Provision for Hong Kong Profits Tax for the year	–	2
Over-provision of PRC Corporate Income Tax in prior years	–	(56)
	–	(54)
Deferred income tax	(1,288)	(299)
	<u>(1,288)</u>	<u>(353)</u>

The Company and subsidiaries incorporated in Hong Kong are subject to Hong Kong 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%.

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 2021 (2020: 25%).

8 LOSS PER SHARE

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

	2021	2020
Loss (HK\$'000)		
Loss for the purpose of calculating the basic and diluted earnings per share	(27,499)	(31,505)
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	218,733	218,733
Loss per share (HK cents)		
Basic and diluted	<u>(12.57)</u>	<u>(14.40)</u>

There were no potential dilutive ordinary shares outstanding during the years ended 31 March 2021 and 31 March 2020.

9 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables due from third parties	21,723	19,613
<i>Less: Loss allowance</i>	<u>(1,469)</u>	<u>(96)</u>
Trade receivables	----- 20,254	----- 19,517
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	7,052	6,316
– Receivable from tenants	1,203	–
– Others	<u>2,190</u>	<u>1,875</u>
	10,445	8,191
<i>Less: Loss allowance</i>	<u>(942)</u>	<u>(870)</u>
Other receivables	----- 9,503	----- 7,321
Trade and other receivables	<u>29,757</u>	<u>26,838</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	10,809	17,571
31 to 60 days	2,999	146
61 to 90 days	3,855	224
91 to 180 days	1,501	1,028
Over 180 days	<u>1,090</u>	<u>548</u>
	----- <u>20,254</u>	----- <u>19,517</u>

The Group usually accepts letters of credit issued by commercial banks to facilitate payment in its trade with overseas customers and no credit period is granted to these customers. For other customers, credit period ranging from 30-90 days is granted from date of delivery of goods.

At 31 March 2021, trade receivables with an aggregate carrying amount of HK\$7,376,000 (2020: HK\$5,371,000) are supported by letters of credit. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables:		
– Amounts due to third parties (<i>note (iii)</i>)	15,929	20,197
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	8,278	6,936
– Amounts due to then related parties of Hebei Youlin (<i>note (i)</i>)	2,587	547
– Payables for acquisition of property, plant and equipment	28,972	34,976
– Interest payables	454	263
– Other accruals and payables	6,847	4,095
Recognised at fair value through profit or loss		
– Contingent consideration payable for acquisition of a subsidiary (<i>note (ii)</i>)	–	11,648
	63,067	78,662

Notes:

- (i) At 31 March 2021, amounts due to then related parties of Hebei Youlin Technology Company Limited (“Hebei Youlin”) include advances from Mr. Huo Julin, one of the former equity owners of Hebei Youlin, amounting to HK\$62,000 (2020: HK\$547,000) and advances from a company with 20% of equity interests held by Mr. Li Xianfeng, another former equity owner of Hebei Youlin amounting to HK\$2,525,000 (2020: Nil), which are unsecured, non-interest bearing and expected to be settled within one year.
- (ii) At 31 March 2020, the amounts represent the second instalment payable under the settlement agreement related to the acquisition of Hebei Youlin, the Group is committed to pay a maximum aggregate amount of HK\$11,648,000 contingent payment to the sellers upon fulfilment of certain conditions as at FY2020. Since the condition was fulfilled in May 2020, the Group settled the balance due to Mr. Huo Julin, amounting to HK\$10,100,000, and the remaining balance amounting to HK\$2,525,000 was transferred to other payables.
- (iii) All of the trade and other payables at 31 March 2021 and 2020 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	7,073	8,788
31 to 60 days	885	375
61 to 90 days	3,324	4,296
Over 90 days	4,647	6,738
	15,929	20,197

11 DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: 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 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 30.8% from approximately 47,240 cubic meters for the year ended 31 March 2020 to approximately 32,712 cubic meters for the year ended 31 March 2021. The gross profit margin remained generally stable at approximately 19.7% for the year ended 31 March 2021 (2020: approximately 19.0%).

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 2021, the Group recorded revenue of approximately HK\$181.9 million, representing an approximately 18.6% decrease comparing to the previous year (2020: approximately HK\$223.5 million). The decrease was mainly attributable to the decrease in the revenue from plywood products sales by approximately 33.1% as a result of the decrease in orders received from the existing customers led by the weakened plywood demand.

Gross profit margin

The gross profit margin of the Group remained generally stable at approximately 19.7% for the year ended 31 March 2021 (2020: approximately 19.0%).

Selling expenses

The selling expenses increased by approximately HK\$0.6 million from approximately HK\$5.4 million for the year ended 31 March 2020 to approximately HK\$6.0 million for the year ended 31 March 2021. The increase was mainly due to the increase in transportation costs as a result of the COVID-19 epidemic.

Loss for the year

During the year ended 31 March 2021, the Group recorded loss of approximately HK\$27.5 million, representing an approximately HK\$4.0 million decrease comparing to the previous year (2020: loss of approximately HK\$31.5 million).

The decrease was mainly due to i) the decrease in impairment loss on property, plant and equipment amounting to approximately HK\$11.7 million; and ii) the decrease in impairment loss on right-of-use assets amounting to approximately HK\$3.6 million. Such decreases were offset by i) the decrease in gross profit as a result of the decrease in revenue from plywood products sales as described above by approximately HK\$6.6 million to approximately HK\$35.9 million for the year ended 31 March 2021 (2020: approximately HK\$42.5 million); ii) the increase in administrative expenses by approximately HK\$6.5 million to approximately HK\$46.9 million for the year ended 31 March 2021 as the combined effect of expected credit loss of trade receivables of approximately HK\$1.4 million and provision for impairment of inventories of approximately HK\$2.0 million together with the depreciation of some idle property, plant and equipment of approximately HK\$2.2 million being classified as administrative expenses (2020: approximately HK\$40.4 million); iii) the increase in fair value loss upon transfer of properties to investment properties amounting to approximately HK\$2.7 million; and iv) the increase in the finance costs by approximately HK\$3.0 million to approximately HK\$14.1 million for the year ended 31 March 2021 (2020: approximately HK\$11.1 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 2021, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 31 March 2021, the Group maintained cash and cash equivalents amounting to approximately HK\$20.9 million (as at 31 March 2020: approximately HK\$11.2 million). The Group recorded net current assets of approximately HK\$30.7 million as at 31 March 2021 compared to net current liabilities of approximately HK\$97.6 million as at 31 March 2020, mainly due to the decrease in short-term bank and other borrowings.

As at 31 March 2021, the Group's total bank and other borrowings, all being denominated in Renminbi or United States dollars, amounted to approximately HK\$226.9 million (as at 31 March 2020: approximately HK\$133.6 million).

As at 31 March 2021, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised issued share capital and reserves.

As at 31 March 2021, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial year) was approximately 92.5% (as at 31 March 2020: approximately 86.6%). The increase in gearing ratio was mainly due to the increase in total bank and other borrowings.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2021, the Group's trade receivables of approximately HK\$4.7 million were charged to secure discounted export bills with full recourse.

As at 31 March 2021, the Group's land use rights of carrying amount of approximately HK\$61.6 million and inter-company trade receivables of approximately HK\$7.8 million were charged to secure bank borrowings of approximately HK\$212.7 million.

CONTINGENT LIABILITIES

As at 31 March 2021, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 2021, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$0.4 million (as at 31 March 2020: approximately HK\$0.8 million).

SIGNIFICANT INVESTMENT

During the year ended 31 March 2021, the Group did not have any significant investment (2020: 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 2021, the Group had a total of 169 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 2021, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENT AFTER THE REPORTING PERIOD

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

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

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

During the year ended 31 March 2021, 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. In view of the continuous shrinking and instability of overseas business, the Group will put more effort into the domestic market in the future. The Group has been working hard to enrich its product categories and to explore the market in China, and has expanded its business to Northern China by strengthening its trading business and acquired Hebei Youlin Technology Company Limited* (河北優林科技有限公司) (“Hebei Youlin”) as its wholly-owned subsidiary. The production plant of Hebei Youlin at Ningjin County, Hebei Province, the PRC is primarily engaged in the sourcing, manufacturing and sale of wooden products. The Group also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.

Apart from expanding the customer base of the Group by seeking business opportunities in potential markets of other countries or areas, the management is also looking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. In order to expand our customer base together with the business growth, certain trading subsidiaries of the Group have obtained the 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.

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.

On 21 May 2020, the Company was informed by Mr. Xue Zhao Qiang, an executive director of the Company, that 2,782,000 shares of the Company (which were placed in securities trading account with margin facilities) held by Guotai Junan Securities (Hong Kong) Limited (“Guotai Junan”), representing approximately 1.27% of the total issued share capital of the Company, were sold on the market as a result of forced sale by the stockbroker of Guotai Junan on 18 May 2020 due to the failure in meeting the issued margin call. For details, please refer to the announcement of the Company dated 22 May 2020.

During the year ended 31 March 2021, save for the above deviation from Rules 5.48 to 5.67 of the GEM Listing Rules (i.e. the Model Code), 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 2021 and recommended to the Board for approval.

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

Hong Kong, 25 June 2021

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.