STEED ORIENTAL (HOLDINGS) COMPANY LIMITED

駿東(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8277

2021 ANNUAL REPORT

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Sun Xue Song *(Chairman)*
Mr. Xue Zhao Qiang *(Chief Executive Officer)*

Non-executive Director

Mr. Ding Hongquan

Independent non-executive Directors

Mr. Wang Wei
Ms. Dong Ping
Mr. Zhu Da

AUDIT COMMITTEE MEMBERS

Mr. Zhu Da *(Chairman)*
Ms. Dong Ping
Mr. Wang Wei

NOMINATION COMMITTEE MEMBERS

Mr. Wang Wei *(Chairman)*
Ms. Dong Ping
Mr. Zhu Da

REMUNERATION COMMITTEE MEMBERS

Ms. Dong Ping *(Chairman)*
Mr. Zhu Da
Mr. Wang Wei

COMPLIANCE OFFICER

Ms. Sun Xue Song

COMPANY SECRETARY

Mr. Chan Yuk Hiu Taylor

AUTHORISED REPRESENTATIVES

Ms. Sun Xue Song
Mr. Chan Yuk Hiu Taylor

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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No. 303 Hennessy Road,
Wanchai,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.steedoriental.com.hk

STOCK CODE

8277

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Steed Oriental (Holdings) Company Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2021.

PERFORMANCE

For the financial year ended 31 March 2021, the Group recorded a loss of approximately HK$27.5 million, compared to a loss of approximately HK$31.5 million for the year ended 31 March 2020. For the year ended 31 March 2021, the Group's revenue decreased by approximately 18.6% to approximately HK$181.9 million (2020: approximately HK$223.5 million). The gross profit decreased by approximately 15.5% to approximately HK$35.9 million for the year ended 31 March 2021 (2020: approximately HK$42.5 million). Selling expenses increased by approximately HK$0.6 million to approximately HK$6.0 million for the year ended 31 March 2021 (2020: approximately HK$5.4 million). Administrative expenses increased by approximately HK$6.5 million to approximately HK$46.9 million for the year ended 31 March 2021 (2020: approximately HK$40.4 million).

The Group's current product mix mainly includes the processing and sale of various plywood products sold to overseas customers (mainly in Japan and Thailand) and the sale of plywood and other wooden products such as wooden structure, wooden doors and windows in China. The Sino-US trade war has caused global economic uncertainty and our overseas customers, especially the Japanese customers became more cautious when placing their purchasing orders, and the Tokyo Olympics Games did not bring much positive stimulation to the exports of our plywood products. The outbreak of COVID-19 since the end of year 2019 also has adverse impact on the operations of the Group's subsidiaries in the People's Republic of China (the "PRC"). Following the shutdown of the Group's production plants in Jiangmen and Ningjin in early 2019 due to the Spring Festival and COVID-19 outbreaks, the epidemic broke out again in January 2021 in Hebei Province, Ningjin production plant was forced to suspend its operations for more than 20 days. These unfavorable factors have adversely affected the business of the Group. We hope that with the easing of the epidemic, the Group's business can gradually recover and develop.

The Board does not recommend payment of a final dividend for the year ended 31 March 2021.

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.

WORDS OF THANKS

On behalf of the Company, I would like to express my gratitude to our shareholders and business partners for their support and to the management and staff for their unwavering dedication and contribution to the Group's development. I believe we can create a bright future with our concerted effort.

Sun Xue Song
Chairman and Executive Director

Hong Kong, 25 June 2021

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.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Sun Xue Song, aged 31, is the Chairman and was first appointed as an executive Director on 12 August 2016. She completed a three year computerized accounting professional course offered by Hebei Radio and TV University* (河北廣播電視大學) in June 2011 and obtained her graduation certificate in regional economic development and management from Hebei Normal University of Science and Technology* (河北科技師範學院) in December 2014. Since January 2012 till present, she is the executive director and legal representative of Hebei Jieming Investments Limited Company* (河北傑明投資有限公司), which carries out investment activities in projects which are not restricted or prohibited according to the laws of the People's Republic of China. Ms. Sun now holds the directorship in Access Well Limited, Lead Access International Holdings Limited, Global Sino Rich Limited, Hebei Jiapin Trading Limited and Hebei Youlin Technology Company Limited* (河北優林科技有限公司) which are wholly owned subsidiaries of the Company.

Xue Zhao Qiang, aged 47, is the chief executive officer and was first appointed as an executive Director on 12 August 2016. He completed a three year architecture professional course offered by Hebei University of Engineering* (河北工程大學科信學院) in June 1995 and since January 2010, is the chairman of Hebei Handan City Hejin Real Estate Development Company Limited* (河北邯鄲市合金房地產開發有限公司), which develops and operates real-estate properties. He is also one of the directors of Hebei Handan City Rural Credit Bank* (河北邯鄲市農村商業銀行) since December 2015. He previously had been selected as the deputy to the People's Congress of the People's Republic of China of Handan City in the 14th session.

NON-EXECUTIVE DIRECTOR

Ding Hongquan, aged 49, before his re-designation as a non-executive Director on 6 March 2018, was first appointed as an independent non-executive Director on 12 August 2016. He completed a professional course in Taxation at the Hebei Cadre Academy of Economic Management* (河北經濟管理幹部學院) in July 1991. In July 2000, he completed a two-year postgraduate course in the Communist Party of China Hebei Provincial Committee Party School* (中共河北省委黨校).

From October 2011 to May 2016, he served as the chairman and general manager of Xintai Water Group Company Limited* (邢臺水業集團有限公司). From October 2015 to November 2018, he served as the chairman and general manager of Hebei Shunde Investment Group Limited Company* (河北順德投資集團有限公司). Mr. Ding is the director and the vice-chairman of Heibei Offshore Listed Equity Investment Fund Company Limited* (河北境外上市股權投資基金有限公司) from October 2015 to June 2019 and from May 2017 to June 2019 respectively. He is also currently the deputy general manager of Zhongcai Financial Holding Investment Limited* (中財金控投資有限公司) since October 2018. Mr. Ding has over 28 years of experience in PRC tax.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Wei, aged 37, was first appointed as an independent non-executive Director on 6 March 2018. He obtained his bachelor's degree in international economy and trading in Hebei Agricultural University (河北農業大學) in June 2006 and completed the postgraduate courses in laws provided by China University of Political Science and Law (中國政法大學) in June 2010. From August 2008 to December 2012, Mr. Wang served in the investment department and subsequently in the Beijing Representative Office (駐京辦) of Hebei Province Information Industry Investment Company Limited* (河北省信息產業投資有限公司). Since July 2014, Mr. Wang works as the general manger in Xin Yue Teng Xiang Investment Fund Management (Beijing) Company Limited* (鑫躍騰祥投資基金管理(北京)有限公司).

Mr. Wang is the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company.

Dong Ping, aged 64, was first appointed as an independent non-executive Director on 12 August 2016. She completed a three-year professional course in English language in December 1979 in Jiangxi Normal College (presently known as Jiangxi Normal University) (江西師範大學) ("Jiangxi Normal University"). Ms. Dong obtained a certificate of study at the Beijing English Language Centre of the Institute of International Economic Management in cooperation with the University of California at Los Angeles China Exchange Program in April 1984. She had completed a course of instruction in Enterprise Management Development Programme in November 1992 which was provided by the British Government as part of its Technical Co-operation Training arrangements. She completed a postgraduate course at the University of Liaoning* (遼寧大學) in June 1999. In November 1997, she obtained a certificate of senior economist issued by the Department of Personnel of Guangdong Province* (廣東省人事廳). In June 2000, she obtained a master's degree in management from Dongbei Agricultural University* (東北農業大學). She also obtained a doctor of philosophy in economic studies at the Zhongnan University of Economics and Law* (中南財經政法大學) in June 2006.

Prior to joining the Company, she worked in the finance department of Jiangxi Province International Trust Investment Company Limited* (江西省國際信託投資公司) until 1990. She then worked in Shenzhen Development Bank (深圳發展銀行) since 1990 and was promoted to vice manager of the international business department in March 1994. In August 2000, she joined the Shenzhen branch of China Everbright Bank (中國光大銀行) as vice president. She retired in 2012 and she currently does not hold any positions in any companies.

Ms. Dong is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company.

Zhu Da, aged 33, was first appointed as an independent non-executive Director on 12 August 2016. He completed a business professional course at Portobello College, Dublin and Griffith College, Dublin and received a bachelor's degree of arts in accounting and finance from Higher Education and Training Awards Council, Ireland in July 2011. From July 2011 to March 2012, he was a project manager in the asset management department of Hebei Guofu Agricultural Investment Group Limited* (河北省國富農業投資集團有限公司). He joined KPMG Huazhen LLP in Beijing in April 2012 and was later seconded to work in KPMG in Hong Kong as an assistant manager from November 2013 to March 2015. Mr. Zhu was a business manager and financial manager of Huajin Investment Company Limited during the period form March 2015 to July 2016. From December 2016 to April 2018, he was an assistant financial officer of Hebei Zhonghongji Catering Management Company Limited* (河北中鴻記餐飲管理有限公司). Since April 2018, Mr. Zhu joined Glory Capital Management (Beijing) Limited* (光榮資產管理(北京)有限公司) as a senior investment manager.

Mr. Zhu is the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company.

COMPANY SECRETARY

Chan Yuk Hiu Taylor, aged 43, is the financial controller and company secretary of the Company. Mr. Chan obtained an Honours Diploma in Accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) and a Master Degree of Professional Accounting from the Hong Kong Polytechnic University. Mr. Chan was an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Chan has acquired various accounting, auditing and company secretarial work experience from both certified public accountants firms and listed companies. Mr. Chan has over 20 years of experience in accounting and auditing.

COMPLIANCE OFFICER

Sun Xue Song was first appointed as an executive Director and the compliance officer of the Company on 12 August 2016. Her biographical details and professional qualifications are set out on page 9 of this report.

* *For identification purpose only*

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.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2021 save for the above deviation of the Model Code on 21 May 2020.

BOARD OF DIRECTORS

All the Directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of their offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget, monitoring financial and operating performance, reviewing the effectiveness of the internal control system, supervising and managing management's performance of the Group, determining the policy for the corporate governance of the Company and performing duties under code provision D.3.1 of the CG Code and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

BOARD COMPOSITION

The Board currently comprises six Directors, of which two are executive Directors, one is a non-executive Director, and three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Ms. Sun Xue Song *(Chairman)*
Mr. Xue Zhao Qiang *(Chief Executive Officer)*

Non-executive Director
Mr. Ding Hongquan

Independent non-executive Directors
Mr. Wang Wei
Ms. Dong Ping
Mr. Zhu Da

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 9 to 10 of this report.

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year ended 31 March 2021, five Board meetings were held and the attendance records of individual Directors are set out below:

Name of Directors	**Number of Board meetings attended/ Directors Eligible to attended**
Executive Directors	
Ms. Sun Xue Song *(Chairman)*	5/5
Mr. Xue Zhao Qiang *(Chief Executive Officer)*	5/5
Non-executive Director	
Mr. Ding Hongquan	5/5
Independent non-executive Directors	
Mr. Wang Wei	5/5
Ms. Dong Ping	5/5
Mr. Zhu Da	5/5

None of the Directors attended the above meetings by his/her alternate.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

All Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary") with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed, and has the liberty to seek independent professional advice if required.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Each of the independent non-executive Directors had made a confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules since the date of their respective appointments, up to the date of this report.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 83 of the articles of association (the "Articles") of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. In accordance with article 84 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

Pursuant to article 84 of the Articles, Mr. Ding Hongquan, a non-executive Director, and Mr. Zhu Da, an independent non-executive Director, would retire from office by rotation and, being eligible, would offer themselves for re-election as Directors at the AGM.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Ms. Sun Xue Song, the Chairman of the Company, is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. The day-to-day operations of the Group are delegated to Mr. Xue Zhao Qiang, the Chief Executive Officer of the Company, and the management responsible for different aspects of the business. As such, the roles of the Chairman and the chief executive of the Company are separate and are not performed by the same individual.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy (the "Board Diversity Policy") from the date of listing of the Company on the Stock Exchange up to the date of this corporate governance report. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

GENERAL MEETINGS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held each year and at a place that may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. Under code provision A.6.7 of the CG Code, all independent non-executive Directors and non-executive Directors should attend general meetings of listed issuers.

The attendance record of the Directors at the annual general meeting held on 4 September 2020 is set out below:

	Number of meetings attended/ Eligible to attended
Executive Directors	
Ms. Sun Xue Song *(Chairman)*	1/1
Mr. Xue Zhao Qiang *(Chief Executive Officer)*	1/1
Non-executive Director	
Mr. Ding Hongquan	1/1
Independent non-executive Directors	
Mr. Wang Wei	1/1
Ms. Dong Ping	1/1
Mr. Zhu Da	1/1

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 currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Wang Wei and Ms. Dong Ping. Mr. Zhu Da, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

During the year ended 31 March 2021, five Audit Committee meetings were held and the attendance record of each committee member is set out below:

Name of Directors	Attendance/ Number of the Audit Committee Meetings
Mr. Zhu Da *(Chairman)*	5/5
Ms. Dong Ping	5/5
Mr. Wang Wei	5/5

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.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 9 February 2015 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Wang Wei and Ms. Dong Ping. Mr. Wang Wei has been appointed as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are (among other things) to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has the balance of expertise, skills and experience appropriate for the requirements of the business of the Group. It is also responsible to identify and recommend the Board suitably qualified persons to become a member of the Board, monitor the appointment or re-appointment and the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the year ended 31 March 2021, one Nomination Committee meeting was held and the attendance record of each committee member is set out below:

Name of Directors	Attendance/ Number of the Nomination Committee Meeting
Mr. Wang Wei *(Chairman)*	1/1
Ms. Dong Ping	1/1
Mr. Zhu Da	1/1

The Nomination Committee has, during its meeting, reviewed the composition of the Board and the suitability of the directors proposed for reappointment at the Company's annual general meeting.

NOMINATION POLICY

The Company has adopted a nomination policy ("Nomination Policy") which aims at strengthening the transparency and accountability of the Board and/or Nomination Committee on election of directors including independent non-executive directors. The Board will review the Nomination Policy from time to time.

Selection Criteria of Directors

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate to be nominated to the Board for it to consider and make recommendation to shareholders for election as directors of the Company at the general meetings and appoint him/her to fill casual vacancies.

- Qualifications and experience in the relevant industries in which the Company's business is involved or is going to be involved;
- Commitment in respect of available time and relevant interest;
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- An understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- Independence: the independent non-executive director candidates should meet the "independence" criteria as required under the GEM Listing Rules and the composition of the Board is in conformity with the provisions of the GEM Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Director Nomination Procedure

The Nomination Committee shall call a meeting, and invite nominations of candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The Nomination Committee shall evaluate the proposed candidate's suitability with reference to the factors stated above and make recommendation(s) to the Board's consideration and approval.

In the case of the re-election of a director at the general meeting, the Nomination Committee shall review the overall contribution of the directors to the Company and their services, their participation and performance within the Board, and whether such director still meets the needs to complement the Company's corporate strategy.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 9 February 2015 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Zhu Da, Mr. Wang Wei and Ms. Dong Ping. Ms. Dong Ping has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the year ended 31 March 2021, one Remuneration Committee meeting was held and the attendance record of each committee member is set out below:

Name of Directors	Attendance/ Number of the Remuneration Committee Meeting
Ms. Dong Ping *(Chairman)*	1/1
Mr. Zhu Da	1/1
Mr. Wang Wei	1/1

The Remuneration Committee has reviewed the remuneration package of the Directors and senior management. No individual Director is involved in deciding his or her own remuneration.

Particulars of the Directors' emoluments for the year ended 31 March 2021 are set out in note 10 to the financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the Board and senior management whose particulars are contained in the section headed "Directors and Senior Management Profile" in this annual report by band is set out below:

Remuneration band (in HK$)	Number of individuals
HK$Nil to HK$1,000,000	7

DIRECTORS' TRAINING

Each newly appointed director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and relevant regulatory requirements. Pursuant to the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous professional development including reading regulatory updates in relation to the Group's business, attending internal briefing sessions, reading materials and watching videos relevant to the director's duties and responsibilities.

DIRECTORS AND OFFICERS LIABILITIES INSURANCE

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group. The insurance coverage will be reviewed on an annual basis.

DIVIDEND POLICY

Pursuant to code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company (the "Dividend Policy").

The Company's Dividend Policy makes reference to the Company's Articles. The Dividend Policy provides that the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Articles.

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

Subject to compliance with applicable laws, rule and the Articles, the Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on.

The Company will review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

COMPANY SECRETARY

Mr. Chan Yuk Hiu Taylor was appointed as the Company Secretary on 5 September 2016. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

Mr. Chan complies with the relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2021. His biographical details are set out in the paragraph headed "Directors and Senior Management Profile" on page 10 in this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the applicable statutory requirement and accounting standards. The Directors' responsibilities in the preparation of the consolidated financial statements are set out in the section headed "Independent Auditor's Report" of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility to ensure that the Company maintains a sound and effective internal control and risk management systems and the Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group during the year. The Group's internal control and risk management systems are designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks.

Three-tier Risk Management Approach

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Audit Committee ensures that the first and second lines of defence are effective through constant inspection and monitoring.

Internal Control

The Board acknowledged that the management had progressively implementing an adequate internal control system to ensure the effective functioning of the Group's operational, financial and compliance areas as follows:

1. *Operational*

   Various principles and procedures are in place to cover the day-to-day operational activities including, but not limited to, the monitoring and reviewing of sales, purchases, production and inventory process, reviewing the financing and investing process, monitoring the compliance with taxation, customs and environmental protection laws and regulations.

2. *Financial*

   Effective financial control is a vital element of internal control. It helps in identifying and managing assets and liabilities to ensure that the Group is not unnecessarily exposed to avoidable financial risks. It also contributes to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud and errors.

   In order to achieve effective financial control, a set of measures have been implemented to tighten the control on cash flow. All payments are required to be properly checked and approved. Proper accounting and financial records shall be maintained to support financial budgets, monthly management accounts and reports.

   Regular reviews and audits are carried out on the financial report procedures to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

3. *Compliance*

The following policies and procedures are in place to safeguard the compliance control:

- the policies and practices on compliance with legal and regulatory requirements – which shall be reviewed and monitored regularly by the Board;

- the Systems and Procedures on Disclosure of Inside Information – to ensure that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board;

- Whistle-blowing policy – to deter wrongdoing and to promote standards of good corporate practices, the Company has adopted a whistle blowing policy which aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Board and the Audit Committee have reviewed the Group's internal controls covering major operational, financial and compliance controls, as well as risk management functions of different systems on a systematic basis based on the risk assessments of the operations and controls. There were no critical issues found but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

ROLE OF COMPLIANCE OFFICER

The compliance officer is responsible for establishing a formal mechanism for risk assessment, management monitoring the effectiveness of the Company's internal control system and procedures, and assessing the remediation status.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2021, the Company engaged BDO Limited ("BDO") as the external auditor. The fees in respect of annual audit services provided by BDO for the year ended 31 March 2021 amounted to approximately HK$1,180,000. The responsibilities of BDO for the audit of the consolidated financial statements are set out in the section headed "Independent Auditor's Report" of this report.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Articles, any shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting (the "EGM") to be called by the Board. The written requisition (i) must state the purposes of the EGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the EGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a EGM, but any EGM so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any EGM to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his or her proposal (the "Proposal") with his or her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Right to enquire to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Room 2104, 21/F., OfficePlus @Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there had been no significant change in the Company's constitutional documents. The Articles are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company in formulating investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.steedoriental.com.hk to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. As of the date of this report, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the consolidated financial statements prepared by the Board and to report to the shareholders of the Company. The responsibilities of the auditor are set out in the section headed "Independent Auditor's Report" of this report.

Report of the Directors

The Board of Directors of the Company is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements in this report. The business of the Group is principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2021 is set out in the consolidated statement of profit or loss and other comprehensive income on page 29 and the state of affairs of the Group as at 31 March 2021 are set out in the consolidated statement of financial position on page 30 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2021 is set out on page 82 of this report. This summary does not form part of the audited consolidated financial statements.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2021, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 March 2021 are set out in note 13 to the financial statements in this report.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 March 2021 are set out in note 24 to the financial statements in this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2021 are set out in note 27(c) to the financial statements in this report.

RESERVES

Details of change in reserves of the Group and the Company are set out in the section headed "Consolidated Statement of Changes in Equity" on page 31 and note 27(a) to the financial statements in this report, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2021, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$nil (2020: HK$nil).

DONATIONS

During the year ended 31 March 2021, donations made by the Group amounted to approximately HK$0.1 million (2020: HK$nil).

BUSINESS REVIEW

Details of review of the Group's business and particulars of important events affecting the Group that have occurred since the end of the financial year as well as indication of likely future development in the business of the Group are set out in the section headed "Chairman's Statement" on pages 4 to 5 of this report and "Management Discussion and Analysis" on pages 6 to 8 of this report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" in this report. In addition, various financial risks have been disclosed in note 28 to the financial statements.

An analysis using financial key performance indicators

The relevant financial key performance indicators relating to the business of the Group are set out in the section headed "Management Discussion and Analysis" and the consolidated financial statements in this report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to promote efficient use of resources and adopting green technologies for emission reduction. For instance, the Group seeks to replace the equipment by the environmental friendly machines in order to minimise overall exhaust emission.

Relationships with employees, customers, suppliers and other stakeholders

The Group ensures all staff is reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits. The Group maintains a good relationship with its customers and suppliers. The Group maintains close contacts with the customers and has regular review of requirements of customers and complaints. The Group will conduct review on the suppliers' performance on regular basis.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, sales to the Group's five largest customers accounted for approximately 65.5% of total sales and sales to the largest customer included therein amounted to approximately 26.9% of total sales. The Group's five largest suppliers accounted for approximately 25.8% of total purchases during the year ended 31 March 2021 and purchases from the largest supplier included therein amounted to approximately 6.5% of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 March 2021.

DIRECTORS

The Directors during the year ended 31 March 2021 and up to the date of this report were:

Executive Directors
Ms. Sun Xue Song *(Chairman)*
Mr. Xue Zhao Qiang *(Chief Executive Officer)*

Non-executive Director
Mr. Ding Hongquan

Independent non-executive Directors
Mr. Wang Wei
Ms. Dong Ping
Mr. Zhu Da

One-third of the Directors shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Articles, providing that every Director shall be retired at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment in accordance with the Articles.

Pursuant to article 84 of the Articles, Mr. Ding Hongquan, a non-executive Director, and Mr. Zhu Da, an independent non-executive Director, would retire from office by rotation and, being eligible, would offer themselves for re-election as Directors at the AGM.

DIRECTORS' SERVICE CONTRACTS

No Directors have service contracts with the Company with remaining unexpired period of 3 years which are not determinable within one year without payment of compensation (other than statutory compensation).

Each of the existing independent non-executive Directors has entered into a letter of appointment with the Company for a term of 3 years, commencing from 12 August 2019 for Mr. Zhu Da and Ms. Dong Ping, and commencing from 6 March 2021 for Mr. Wang Wei, with automatic renewals for a renewal terms of 3 years each renewal, and all subject to termination by either party giving to the other not less than 3 months' prior written notice. Each of them is subject to retirement by rotation and re-election in accordance with the Articles.

The existing non-executive Director, Mr. Ding Hongquan, has entered into a letter of appointment with the Company for a term of 3 years, commencing from 6 March 2021 with automatic renewals for a renewal terms of 3 years each renewal, and subject to termination by either party giving to the other not less than 3 months' prior written notice. Mr. Ding is subject to rotation and re-election in accordance with the Articles.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 10 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract, transaction or arrangement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors or an entity connected with him/her or the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted during the year ended 31 March 2021 (2020: Nil).

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2021.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 29 to the financial statements in this report. Certain transactions are connected transactions that are exempt from annual reporting requirements under Chapter 20 of the GEM Listing Rules. Save as disclosed above, there were no other related party transactions which are required to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 March 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary share held, capacity and nature of interest			Approximate percentage of the Company's issued share capital *(Note)*
	Directly and beneficially owned	Through controlled corporations	Total	
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	27,978,425	–	27,978,425	12.79%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 218,733,333 issued shares as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was recorded in the register required to be kept by the Company under Section 352 of the SFO, or was otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company as disclosed above) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 11 to 19 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

SHARE OPTION SCHEME

The Company conditionally approved and adopted a share option scheme (the "Share Option Scheme") on 9 February 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to provide an incentive or reward for eligible participants (any full-time or part-time employees, consultants or potential employees, consultants, executives or officers of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of our Board has contributed or will contribute to the Group) (the "Eligible Participants") for their contribution or potential contribution to the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, grant options to the Eligible Participants to subscribe for shares in the Company at a price determined by the directors and not less than the highest of:

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and

(iii) the nominal value of the shares of the Company on the date of grant.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue immediately upon completion of the Placing which is 20,000,000 shares, representing approximately 9.14% of the issued shares of the Company as at the date of this report. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 30% of the shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

Unless approved by our shareholders in general meeting in the manner prescribed in the GEM Listing Rules, our Board shall not grant options to any Eligible Participants if the acceptance of those options would result in the total number of shares issued and to be issued to those Eligible Participants on exercise of the options during any 12-month period up to the offer date exceeding 1% of the total shares then in issue.

Options granted must be taken up within 14 days of that date of grant, upon payment of HK$1 in aggregate as consideration for the options granted.

The Share Option Scheme will be expired on 23 February 2025.

As of 1 April 2020 and as of 31 March 2021, no Share Options were outstanding.

During the year ended 31 March 2021, no share options were granted pursuant to the Share Option Scheme.

As at 31 March 2021, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The consolidated financial statements for the year ended 31 March 2019 were audited by KPMG ("KPMG").

On 17 April 2020, BDO had been appointed as auditor of the Company to fill the casual vacancy following the resignation of KPMG.

The consolidated financial statements for the year ended 31 March 2020 were audited by BDO.

The consolidated financial statements for the year ended 31 March 2021 were audited by BDO who will retire and, being eligible, offer themselves for re-appointment.

A resolution for the re-appointment of BDO as the auditor of the Company is to be proposed at the forthcoming AGM. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

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

Hong Kong, 25 June 2021

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TO THE SHAREHOLDERS OF STEED ORIENTAL (HOLDINGS) COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Steed Oriental (Holdings) Company Limited (the "Company") and its subsidiaries (together as the "Group") set out on pages 29 to 81, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties (Note 14 to the consolidated financial statements)

The Group had investment properties, which were stated at fair value. Management estimated the fair values of these investment properties to be HK$41,011,000 as at 31 March 2021. Independent external valuations were obtained in order to support management's estimates. Valuations are dependent on certain key assumptions that require significant management judgement including term yield, reversionary yield and market rents.

Our response:

- Evaluating the independent external valuers' objectivity, competence and capabilities;
- Assessing the methodologies used and the reasonableness of the key inputs and assumptions estimated or made by the management based on our knowledge of the property industry; and
- Checking, on a sample basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by the available evidence. We found the disclosures in note 14 to be appropriate.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of property, plant and equipment ("PPE"), right-of-use assets ("ROU") and intangible assets

As at 31 March 2021, the Group's carrying amount of PPE, ROU and intangible assets, amounted to approximately HK$189,380,000 (net of accumulated impairment losses of approximately HK$14,613,000), approximately HK$62,850,000 (net of accumulated impairment losses of approximately HK$3,591,000), and approximately HK$1,533,000 respectively. During the financial year, there were impairment indications on its PPE for marginal profit or loss making operating facilities in the People's Republic of China (the "PRC") and Hong Kong ("HK").

Management had carried out an impairment assessment to determine whether the recoverable amounts of these PPE, ROU and intangible assets are less than the respective carrying amounts using the value in use method ("VIU") or fair value less costs of disposal ("FVLCOD"). The assessment involved critical assumptions and judgement in determining the recoverable amounts. Based on management's assessment, there was no impairment loss on PPE, ROU and intangible assets as at 31 March 2021 (as disclosed in note 13).

Relevant disclosures of PPE, ROU and intangible assets are set out in notes 13, 31 and 15 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of PPE, ROU and intangible assets included:

- Assessing management's process in identifying the impairment indicators of PPE, ROU and intangible assets;

- Assessing the appropriateness of the methodology applied by the management in calculation the impairment charges, and the judgements applied in determining the cash generating units ("CGUs") of the business, for the purpose of impairment assessment for the value-in-use calculation;

- Challenging and assessing the reasonableness of management's key assumptions including discount rates and forecast sales growth rate and margin adopted in future cash flows forecast by management and checking its mathematical accuracy;

- Discussing with the specialist appointed by the Group to review the discount rate adopted;

- Assessing the sensitivity analyses performed by the management and the extent of the impact on the value in use calculations; and

- In relation to the fair value less costs of disposal of the PPE, ROU and intangible assets, we assessed the appropriateness of the valuation methods adopted with reference to market practice, and assessed the related data used in the estimation, including checking the reasonableness of the rental income used in the estimation. Such procedures included comparing the underlying key estimates and assumptions against open market information.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, 25 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**181,880**	223,489
Cost of sales		**(145,987)**	(181,014)
Gross profit		**35,893**	42,475
Other income	6	**2,353**	1,379
Other gains and losses, net	7	**2,214**	(3,511)
Selling expenses		**(6,043)**	(5,423)
Administrative expenses		**(46,943)**	(40,409)
Fair value gain on investment properties	14	**549**	–
Fair value loss upon transfer of properties to investment properties	14	**(2,717)**	–
Impairment loss on property, plant and equipment	13	**–**	(11,663)
Impairment loss on right-of-use assets	31	**–**	(3,590)
Loss from operations		**(14,694)**	(20,742)
Finance costs	8(a)	**(14,093)**	(11,116)
Loss before taxation	8	**(28,787)**	(31,858)
Income tax credit	9	**1,288**	353
Loss for the year attributable to equity shareholders of the Company		**(27,499)**	(31,505)
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Revaluation gain on transfer of properties to investment properties, net of tax		**2,091**	–
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**4,597**	(4,866)
Other comprehensive income for the year		**6,688**	(4,866)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(20,811)**	(36,371)
Loss per share			
Basic and diluted (HK cents)	12	**(12.57)**	(14.40)

Consolidated Statement of Financial Position

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**189,380**	219,222
Investment properties	14	**41,011**	–
Right-of-use assets	31	**62,850**	60,481
Intangible assets	15	**1,533**	1,644
Other non-current assets	17	**598**	2,647
Total non-current assets		**295,372**	283,994
Current assets			
Inventories	18	**46,265**	51,587
Trade and other receivables	20	**29,757**	26,838
Contract assets	19	**8,791**	1,344
Other current assets	22	**12,921**	12,993
Cash and cash equivalents	21	**20,946**	11,175
Total current assets		**118,680**	103,937
LIABILITIES			
Current liabilities			
Trade and other payables	23	**63,067**	78,662
Contract liabilities	19	**6,441**	2,011
Bank and other borrowings	24	**16,890**	119,376
Lease liabilities	31	**1,307**	1,197
Income tax payable		**294**	261
Total current liabilities		**87,999**	201,507
NET CURRENT ASSETS/(LIABILITIES)		**30,681**	(97,570)
Non-current liabilities			
Bank and other borrowings	24	**210,003**	14,225
Deferred income tax liabilities	25	**5,428**	5,626
Deferred income		**392**	405
Lease liabilities	31	**105**	815
Other non-current liabilities	26	**78,965**	113,382
Total non-current liabilities		**294,893**	134,453
NET ASSETS		**31,160**	51,971
EQUITY			
Share capital	27	**2,187**	2,187
Reserves		**28,973**	49,784
TOTAL EQUITY		**31,160**	51,971

The consolidated financial statements on pages 29 to 81 were approved and authorized for issue by the Board of Directors on 25 June 2021 and were signed on its behalf by:

Sun Xue Song
Chairman and Executive Director

Xue Zhao Qiang
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to equity shareholders of the Company						
	Share capital HK$'000 (notes 27(c))	**Share premium HK$'000** (notes 27(d)(i))	**Other reserve HK$'000** (notes 27(d)(ii))	**Property revaluation reserve HK$'000** (notes 27(e))	**Exchange reserve HK$'000** (notes 27(d)(iii))	**Accumulated losses HK$'000**	**Total equity HK$'000**
Balance as at 1 April 2019	2,187	72,403	41,355	–	(2,491)	(25,112)	88,342
Comprehensive income							
Loss for the year	–	–	–	–	–	(31,505)	(31,505)
Other comprehensive income							
Currency translation differences	–	–	–	–	(4,866)	–	(4,866)
Total comprehensive income for the year	–	–	–	–	(4,866)	(31,505)	(36,371)
At 31 March 2020 and 1 April 2020	2,187	72,403	41,355	–	(7,357)	(56,617)	51,971
Comprehensive income							
Loss for the year	–	–	–	–	–	(27,499)	(27,499)
Other comprehensive income							
Revaluation gain on transfer of properties to investment properties, net of tax	–	–	–	2,091	–	–	2,091
Currency translation differences	–	–	–	–	4,597	–	4,597
Total comprehensive income for the year	–	–	–	2,091	4,597	(27,499)	(20,811)
At 31 March 2021	2,187	72,403	41,355	2,091	(2,760)	(84,116)	31,160

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before income tax		**(28,787)**	(31,858)
Adjustments for:			
Depreciation			
– Property, plant and equipment	8(c)	**12,380**	10,297
– Right-of-use assets	8(c)	**1,892**	2,569
Impairment loss:			
– Property, plant and equipment	13	**–**	11,663
– Right-of-use assets	31	**–**	3,590
Provision for impairment of inventories	8(c)	**2,039**	–
Amortisation	8(c)	**246**	229
Finance costs	8(a)	**14,093**	11,116
Expected credited loss of trade receivables	8(c)	**1,365**	–
Interest income	6	**(15)**	(15)
Recognition of government grant as income	6	**(863)**	(539)
Fair value gain on investment properties	8(c)	**(549)**	–
Loss on fair value change upon transfer of properties to investment properties	8(c)	**2,717**	–
Net gain on disposal of equity securities	7	**–**	(8)
Net loss arising from forward foreign exchange contracts	7	**–**	1,998
Gain on change in fair value of contingent consideration payable	6	**–**	(628)
Net (gain)/loss on disposal of property, plant and equipment	7	**(1,809)**	79
Operating cash flows before movements in working capital		**2,709**	8,493
Decrease in inventories		**3,283**	26,335
Increase in trade and other receivables		**(4,292)**	(10,896)
Decrease in other current asset		**72**	5,185
Decrease/(increase) in other non-current assets		**2,049**	(1,476)
(Increase)/decrease in contract assets		**(7,447)**	3,039
Decrease in trade and other payables		**(5,820)**	(22,583)
Increase in other contract liabilities		**4,430**	19
Increase in deferred income		**850**	476
Increase in other non-current liabilities		**2,851**	–
Cash (used in)/generated from operations		**(1,315)**	8,592
Income tax credit/(paid)		**33**	(2,091)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(1,282)**	6,501
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		**(9,284)**	(29,033)
Proceeds from disposal of property, plant and equipment		**8,216**	115
Payment for forward foreign exchange contracts		**–**	(2,097)
Proceeds from disposal of trading securities		**–**	329
Interest received		**15**	15
NET CASH USED IN INVESTING ACTIVITIES		**(1,053)**	(30,671)
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		**267,100**	111,694
Repayment of bank and other borrowings		**(187,465)**	(143,426)
Finance costs paid		**(14,477)**	(11,335)
Advances from related parties		**103,631**	93,304
Repayment to related parties		**(149,433)**	(27,314)
Payment of lease liabilities		**(1,483)**	(1,284)
Settlement of contingent consideration		**(10,100)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**7,773**	21,639
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,438**	(2,531)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	**11,175**	14,005
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,333**	(299)
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**20,946**	11,175

1. GENERAL

Steed Oriental (Holdings) Company Limited (the "Company") was incorporated in the Cayman Islands on 7 August 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2015. The Company and its subsidiaries (collectively referred to as the "Group") principally engages in the sourcing, manufacturing and sale of plywood products and other wooden products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

Amendments to HKFRS 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 Concessions 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. SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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 23) and total bank and other borrowings of approximately HK$226,893,000 (note 24) and amounts due to shareholders (note 26) 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 an agreement 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 23. 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 23. 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 (as disclosed in note 26) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Functional and presentation currency

The functional currency of the Company is United State dollars ("US$"), while the financial statements are presented in Hong Kong dollars ("HK$"). As the Company is listed on the GEM of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

3.4 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

(i) Substantive potential voting rights held by the Company and other parties who hold voting rights;

(ii) Other contractual arrangements; and

(iii) Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.6 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Other gains and losses". All other foreign exchange gains and losses are presented in the income statement within "Other gains and losses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the fair value gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency translation (continued)

(ii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the year in which they are incurred.

Property, plant and equipment other than construction in progress, are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

– Plant, property and machinery	3–50 years
– Motor vehicles	2-15 years
– Furniture, fittings and equipment	3–10 years
– Leasehold improvements	Over the lease term

Construction in progress represents plant, property and machinery under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

3.9 Intangible assets (other than goodwill)

Expenditures for research and development are recognised as an expense in the period incurred except for those development costs which comply strictly with the following criteria:

– It is technically feasible to complete the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is an ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are stated at cost less their residual values and amortised on straight-line basis over their expected useful lives. During the year ended 31 March 2021 and 2020, no further development cost were capitalised.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patents and use right of technological know-how	10 years

Both the period and method of amortisation are reviewed annually.

3.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

In making this reassessment, the Group considers a financial asset to be credit-impaired when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers that a default event occurs when the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Trade balances are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (continued)

(v) *Equity instruments*
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*
The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.12 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.14 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current income tax*
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income taxes (continued)

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presented to be recovered entirely through sale.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.15 Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

3.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods
Sale of goods are recognised as follows:

– *Made-to-order manufacturing arrangements*
The Group classifies contracts as made-to-order manufacturing arrangements when the Group manufactures the products in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed.

Revenue arising from made-to-order manufacturing arrangements, and a corresponding contract asset, are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional.

– *Sales of other goods*
Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Dividends
Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income
Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iv) Government grants
Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently recognised in profit or loss over the useful life of the related asset.

(v) Rental income
Rental income from operating leases is recognised on straight-line basis over the terms of relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leasing

a) *Accounting as a lessee*

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 accounting policy choices exist 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.

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 that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. 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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	Over the shorter of lease terms of related leasehold land or 50 years
Motor Vehicles	Over the lease terms
Equipment	Over the lease terms
Properties	Over the lease terms

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leasing (continued)

b) 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.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payment from leasees.

3.19 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue for sale of goods (see note 3.17(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3.11(ii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue for sale of goods (see note 3.17(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

3.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

3.22 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical judgments

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the operating results of the Group's operations and financing plan assessed using cash flows forecasts as detailed in Note 3.2 to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments (continued)

(b) *Deferred taxation on investment properties*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time.

Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined whether the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted and the Group has recognised deferred tax on changes in fair value of investment properties on the basis that the deferred tax reflects the tax consequences that will follow from the manner in which the Group expects at the end of the reporting period to recover the carrying amount of the investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) *Impairment losses of property, plant and equipment*

If circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in note 3.10. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future years.

(b) *Useful life and residual value of property, plant and equipment*

The property, plant and equipment of the Group are depreciated at rates sufficient to write off their costs less accumulated impairment losses and estimated residual values over their estimated useful lives on a straight-line basis. The Group reviewed the useful lives periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment. The Group estimates the useful lives of the property, plant and equipment as set out in note 3.7 based on the historical experience with similar assets, taking into account anticipated technological changes. The depreciation expenses in the future periods will change if there are significant changes to these estimates.

(c) *Impairment of trade receivables and contract assets*

The Group makes provision for impairment of trade receivables and contract assets based on assumptions about risk of default and expected loss rates (note 3.11(ii)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward–looking estimates at the end of reporting date.

(d) *Estimated fair value of investment properties*

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumptions used in valuation are reflective of the current market conditions. Changes to these estimation, assumptions and key inputs would result in changes in the fair values of the Group's investment properties and the corresponding adjustments would be recognised in profit or loss. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

5. 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 **HK$'000**	2020 HK$'000
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
	132,304	183,006
Transferred over time		
Made-to-order wooden products	**49,576**	40,483
	181,880	223,489

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

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

Details of concentrations of credit risk are set out in note 28(a).

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.

5. REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 HK$'000	2020 HK$'000
Japan	**89,036**	120,856
PRC	**86,551**	88,406
Thailand	**1,903**	4,682
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 HK$'000	2020 HK$'000
HK	**754**	531
PRC	**294,618**	283,463
	295,372	283,994

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Rental income	**1,464**	197
Bank interest income	**15**	15
Government subsidies (note)	**863**	539
Gain on changes in fair value of contingent consideration payable (note 28(e))	**–**	628
Others	**11**	–
	2,353	1,379

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.

7. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
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	**(277)**	31
	2,214	(3,511)

8. LOSS BEFORE TAXATION

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

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

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

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

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 HK$'000	2020 HK$'000
(c) Other items		
Depreciation of property, plant and equipment (note 13)	**12,380**	10,297
Amortisation of intangible assets (note 15)	**246**	229
Depreciation of right-of-use assets		
Properties (note 31)	**733**	1,038
Motor vehicles (note 31)	**–**	144
Equipment (note 31)	**–**	38
Land use right (note 31)	**1,159**	1,349
Expected credit loss of trade receivables (note 28)	**1,365**	–
Short term lease expenses (note 31)	**372**	1,461
Provision for impairment of inventories (note 18)	**2,039**	–
Fair value gain on investment properties (note 14)	**(549)**	–
Fair value loss upon transfer of properties to investment properties (note 14)	**2,717**	–
Auditors' remuneration	**1,180**	1,180
Impairment loss on property, plant and equipment (note 13)	**–**	11,663
Impairment loss on right-of-use assets (note 31)	**–**	3,590
Cost of inventories#	**145,987**	181,014

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 8(b) for each of these types of expenses.

9. TAXATION

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

	2021 HK$'000	2020 HK$'000
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 (note 25)	(1,288)	(299)
	(1,288)	(353)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2021 HK$'000	2020 HK$'000
Loss before taxation	(28,787)	(31,858)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (notes (i), (ii) and (iii))	(6,560)	(7,967)
Tax effect of non-deductible expenses	101	371
Tax effect of tax losses and temporary differences not recognised	6,133	7,849
Tax effect of tax losses utilised where no deferred tax assets recognised in prior years	–	(328)
Tax effect of non-taxable income	(962)	–
Over-provision in prior years	–	(251)
Others	–	(27)
Income tax credit for the year	(1,288)	(353)

Notes:

(i) 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%.

(ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the year ended 31 March 2021 (2020: 25%).

10. DIRECTORS' EMOLUMENTS

Name of director and supervisor	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2021 Total HK$'000
Executive directors					
Ms. Sun Xue Song	**–**	**240**	**–**	**–**	**240**
Mr. Xue Zhao Qiang	**–**	**240**	**–**	**–**	**240**
Non-executive directors					
Mr. Ding Hongquan	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Ms. Dong Ping	**–**	**–**	**–**	**–**	**–**
Mr. Zhu Da	**–**	**–**	**–**	**–**	**–**
Mr. Wang Wei	**–**	**–**	**–**	**–**	**–**
	–	**480**	**–**	**–**	**480**

Name of director and supervisor	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2020 Total HK$'000
Executive directors					
Ms. Sun Xue Song	–	240	–	–	240
Mr. Xue Zhao Qiang	–	240	–	–	240
Non-executive directors					
Mr. Ding Hongquan	–	–	–	–	–
Independent non-executive directors					
Ms. Dong Ping	–	–	–	–	–
Mr. Zhu Da	–	–	–	–	–
Mr. Wang Wei	–	–	–	–	–
	–	480	–	–	480

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, no (2020: nil) director whose emoluments is disclosed in note 10. The aggregate of the emoluments in respect of the five (2020: five) individuals are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**5,245**	5,165
Discretionary bonuses	**371**	417
Retirement scheme contributions	**259**	297
	5,875	5,879

The emoluments of the five (2020: five) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2021	2020
HK$Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,500,000	**1**	1
	5	5

12. 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	**(12.57)**	(14.40)

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

13. PROPERTY, PLANT AND EQUIPMENT

	Plant, property and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fittings and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 April 2019	192,367	2,018	2,352	5,541	47,483	249,761
Exchange realignment	(13,845)	(69)	356	(288)	(2,936)	(16,782)
Transfer from construction in progress	61,091	–	371	–	(61,462)	–
Additions	8,192	325	62	–	20,454	29,033
Disposals	(181)	–	(13)	–	–	(194)
At 31 March 2020 and 1 April 2020	247,624	2,274	3,128	5,253	3,539	261,818
Exchange realignment	19,017	27	207	116	297	19,664
Transfer from construction in progress	6,789	–	–	–	(6,789)	–
Transfer to investment properties (note 14)	(43,218)	–	–	–	–	(43,218)
Additions	2,670	85	78	–	6,451	9,284
Disposals	(6,949)	–	(8)	(479)	–	(7,436)
At 31 March 2021	225,933	2,386	3,405	4,890	3,498	240,112
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
At 1 April 2019	18,268	1,891	621	2,959	–	23,739
Exchange realignment	(2,690)	(43)	(162)	(118)	–	(3,013)
Charge for the year	9,250	117	482	448	–	10,297
Impairment losses (note (i))	10,141	–	242	834	446	11,663
Written back on disposal	(79)	–	(11)	–	–	(90)
At 31 March 2020 and 1 April 2020	34,890	1,965	1,172	4,123	446	42,596
Exchange realignment	942	4	57	31	–	1,034
Transfer to investment properties (note 14)	(4,249)	–	–	–	–	(4,249)
Charge for the year	11,371	109	636	264	–	12,380
Written back on disposal	(867)	–	(3)	(159)	–	(1,029)
At 31 March 2021	42,087	2,078	1,862	4,259	446	50,732
CARRYING AMOUNT						
At 31 March 2021	183,846	308	1,543	631	3,052	189,380
At 31 March 2020	212,734	309	1,956	1,130	3,093	219,222

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

(i) At 31 March 2021, in view that the Group performed substantially below budget due to decrease in sales orders from certain key customers, the management of the Group concluded there were indications of impairment and conducted impairment assessment to estimate the recoverable amounts of the PPE, ROU and intangible assets on an individual asset or a cash-generating unit basis. The Group has allocated the PPE, ROU and intangible assets which are not possible to estimate the recoverable amount individually, to two individual CGUs, comprising oversea sale operation unit (Unit 1) and PRC sale operation unit (Unit 2).

The basis of the recoverable amounts and their major underlying assumptions are summarised below:

Unit 1:

The recoverable amount of this unit as at 31 March 2021, has been determined based on a value-in-use calculation, with reference to a professional valuation performed by Peak Vision Appraisals Limited (the "Peak Vision"). The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%. The pre-tax discount rate applied is 13.15%.

In allocating the impairment loss, the carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit.

Based on the result of the assessment, no impairment loss was recognised for this unit during the year.

Unit 2:

The recoverable amount of this unit as at 31 March 2021, has been determined based on a value-in-use calculation, with reference to a professional valuation performed by Peak Vision. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3%. The pre-tax discount rate applied is 14.81%.

In allocating the impairment loss, the carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit.

Based on the result of the assessment, no impairment loss was recognised for this unit during the year.

(ii) As at 31 March 2021, the Group is in the process of applying for registration of the ownership certificates for its properties. The director is of the opinion that the Group is entitled to lawfully occupy or use these properties.

14. INVESTMENT PROPERTIES

	HK$'000
Carrying amount, at fair value	
As at 1 April 2020	–
Transfer from owner-occupied property	38,120
Transfer from right-of-use assets	1,628
Fair value gain on investment properties (note 8(a))	549
Exchange realignment	714
As at 31 March 2021	41,011

Notes:

(a) During the year ended 31 March 2021, the use of certain properties and right of use assets with a total carrying amount of approximately HK$40,439,000 were transferred to investment properties upon changing in use as evidenced by inception of operating leases to independent third parties. Fair value loss of approximately HK$2,717,000 and fair value gain of approximately HK$2,091,000 arising from the revaluation of these properties from its carrying amount to its fair value as at the date of reclassification was recognised in profit and loss and properties revaluation reserves as at the date of transfer respectively.

(b) The fair value of the Group's investment properties in the PRC at 31 March 2021 was with reference to valuation carried out by independent professional valuer, Peak Vision Appraisals Limited, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investments properties is a level 3 recurring fair value measurements using significant unobservable inputs. During the years, there were no transfers of fair value measurements between level 1 and level 2, and no transfers into or out of level 3.

For the Group's investment properties in the PRC as at 31 March 2021, the valuation was determined using investment approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed taking into account the current passing rents and the reversionary income potential of tenancies.

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below:

Description	Fair value (HK$'000)	Valuation technique(s)	Significant unobservable Inputs	Relationship of unobservable inputs to fair value
i) Investment properties in the PRC	32,392	Investment approach	(i) Term yield Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the building of 2.75%	The higher the term yield, the lower the fair value
			(ii) Reversionary yield Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 4.25%	The higher the reversionary yield, the lower the fair value.

The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(b) (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below: (continued)

Description	Fair value (HK$'000)	Valuation technique(s)	Significant unobservable Inputs	Relationship of unobservable inputs to fair value
			(iii) Monthly market rent Monthly market rent per sq.m per month compares with direct market comparables and taking into account of location and other individual factors, the range of average market rental is from HK$102.33 to HK$131.35	The higher the monthly market rent, the higher the fair value
ii) Investment properties in the PRC	8,619	Investment approach	(i) Term yield Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the building of 9.00%	The higher the term yield, the lower the fair value
			(ii) Reversionary yield Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 9.00%	The higher the reversionary yield, the lower the fair value.
			(iii) Monthly market rent Monthly market rent per sq.m per month compares with direct market comparables and taking into account of location and other individual factors, the range of average market rental is from HK$9.47 to HK$10.80	The higher the monthly market rent, the higher the fair value

15. INTANGIBLE ASSETS

	Patents and use right of technological know-how (Development cost) HK$'000
COST	
At 1 April 2019	2,372
Exchange realignment	(151)
At 31 March 2020	2,221
Exchange realignment	187
At 31 March 2021	2,408
ACCUMULATED DEPRECIATION	
At 1 April 2019	371
Exchange realignment	(23)
Additions	229
At 31 March 2020	577
Exchange realignment	52
Additions	246
At 31 March 2021	875
CARRYING AMOUNT	
At 31 March 2021	1,533
At 31 March 2020	1,644

Note:

Details of the impairment assessment of the Group's intangible assets are disclosed in note 13 (i).

16. INVESTMENT IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2021 were as follows:

Name of subsidiaries	Place of incorporation and operations	Particulars of issued/ registered and paid up capital	Proportion of ownership interest Directly %	Indirectly %	Principal activities
Million Champ Trading Limited	HK	1,000,000 shares	–	99.99%	Sale of plywood products and investment holding
Jiangmen Changda Wood Products Company Limited (江門市昌達木業有限公司)*	PRC	Registered capital of HK$5,000,000	–	99.99%	Sourcing, manufacturing and sale of plywood products
CD Enterprises Company Limited	BVI	US$100,000	100%	–	Investment holding
Sunchance International Industrial Limited	HK	10,000 shares	–	100%	Sale of plywood products
Profit Chance Trading (Asia) Limited	HK	100 shares	–	100%	Sale of plywood products and investment holding
Million Champ Holdings (HK) Limited	HK	100 shares	–	100%	Sale of plywood products
Jiangmen Chance East Wood Products Company Limited (江門市駿東木業有限公司)*	PRC	Registered capital of US$10,000,000	–	100%	Sourcing, manufacturing and sale of plywood products
Star Resources Trading (HK) Limited	HK	100 shares	–	100%	Sale of plywood products
Access Well Limited	HK	10,000 shares	100%	–	Investment holding
Lead Access International Holdings Limited	BVI	US$10	100%	–	Investment holding
Global Sino Rich Limited	HK	10,000 shares	–	100%	Investment holding
Hebei Jiapin Trading Limited ("Hebei Jiapin" 河北迦品貿易有限公司)*	PRC	Registered capital of RMB50,000,000	–	100%	Sale of plywood and other wooden products
Hebei Youlin Technology Company Limited ("Hebei Youlin" 河北優林科技有限公司)*	PRC	Registered capital of RMB50,000,000	–	100%	Sourcing,manufacturing and sale of wooden products
Leading Effort Group Limited	BVI	US$10	100%	–	Investment holding
Ace View International Limited	HK	HK$1	–	100%	Investment holding

* These companies are foreign owned enterprises established in Mainland China. The English translation of their names are for reference only. The official names of these companies are in Chinese.

\# These companies were incorporated during the year.

The directors of the Company consider that the Group's non-controlling interests are not material to the consolidated financial statements for the years ended 31 March 2021 and 2020.

17. OTHER NON-CURRENT ASSETS

	2021 HK$'000	2020 HK$'000
Deposits and prepayments to third parties	**598**	2,647

The deposits and advances to third parties are unsecured and interest free.

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**29,060**	27,151
Work in progress	**12,501**	11,509
Finished goods	**6,743**	12,927
	48,304	51,587
Less: Provision for impairment on inventories	**(2,039)**	–
	46,265	51,587

The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income during the year is as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of inventories sold	**145,987**	181,014

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets		
Contract assets arising from made-to-order wooden products contracts with customers:		
Unbilled production (note (i))	**8,791**	298
Retention receivables (note (ii))	**–**	1,046
	8,791	1,344

Notes:

(i) As at 31 March 2021 and 2020, the amounts of contract assets and contract liabilities represented made-to-order wooden products contracts with customers.

Such made-to-order wooden products contracts include payment schedules which usually require stage payments over the production period once milestones are reached. When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the contract exceeds the amount of the deposit. The payment schedules and the amount of deposit were negotiated on a case by case basis with customers.

The contract assets related to unbilled production are expected to settle within one year.

19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (continued)

Notes: (continued)

(ii) However, the Group also typically agrees to a one to two years retention period for 5% of the contract value. These amounts are included in contract assets are retention receivables which are expected to settle, based on the expiry of the defect liability period, at the end of the reporting period as follows:

	2021 HK$'000	2020 HK$'000
Within one year	–	696
More than one year but less than two years	–	350
Total	–	1,046

As at 31 March 2021, the amount expected to be settled after one year is nil (2020: HK$350,000), the Group received early payment of HK$350,000 from the customers during the year.

(b) Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from:		
Billing in advance of performance under made-to-order wooden products contracts with customers	4,770	2,011
Sales of other goods	1,671	–
	6,441	2,011

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
Balance as at 1 April	2,011	1,992
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,011)	(1,992)
Increase in contract liabilities as a result of billing in advance of system integration services contracts	4,770	2,011
Increase in contract liabilities as a result of receiving deposits from customers	1,671	–
Balance as at 31 March	6,441	2,011

All the contract liabilities are expected to be recognised as revenue within one year.

20. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables due from third parties	**21,723**	19,613
Less: Loss allowance	**(1,469)**	(96)
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 (note)	**2,190**	1,875
	10,445	8,191
Less: Loss allowance	**(942)**	(870)
Other receivables	**9,503**	7,321
Trade and other receivables	**29,757**	26,838

Note: The amounts mainly represent rental deposit of HK$163,000 (2020: HK$761,000), receivable of disposal of property, plant and equipment of HK$967,000 (2020: Nil).

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 HK$'000	2020 HK$'000
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	**1,090**	548
	20,254	19,517

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.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 28(a).

The higher the monthly market rent, the higher the fair value

21. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

a) Cash and cash equivalents comprise:

	2021 HK$'000	2020 HK$'000
Cash available on demand	**20,946**	11,175

The Group's operations in the PRC (excluding HK) are conducted in RMB.

As at 31 March 2021, included in cash and balance of the Group was HK$12,867,000 (2020:HK$5,297,000) of bank balances denominated in RMB placed with the banks in the PRC.

RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding HK) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings (Note 24) HK$'000	**Amounts due to related parties** (Note 29) HK$'000	**Interest payables** (Note 23) HK$'000	**Lease liabilities** (Note 31) HK$'000	**Contingent consideration payable** (Note 23) HK$'000	**Total** HK$'000
At 1 April 2020	133,601	113,382	263	2,012	11,648	260,906
Changes from financing cash flows:						
Proceeds from new bank and other borrowings	267,100	–	–	–	–	267,100
Repayment of bank and other borrowings	(187,465)	–	–	–	–	(187,465)
Finance costs paid	(14,372)	–	(105)	–	–	(14,477)
Payment of lease liabilities	–	–	–	(1,483)	–	(1,483)
Advances from related parties	–	103,631	–	–	–	103,631
Repayment to related parties	–	(149,433)	–	–	–	(149,433)
Settlement	–	–	–	–	(10,100)	(10,100)
Total changes from financing cash flows	65,263	(45,802)	(105)	(1,483)	(10,100)	7,773
Other changes:						
Interest on bank and other borrowings	13,581	–	430	–	–	14,011
Addition of new lease liabilities	–	–	–	801	–	801
Interest on lease liabilities	–	–	–	82	–	82
Transferred to other payables	–	–	–	–	(2,525)	(2,525)
Exchange realignment	14,448	8,534	(134)	–	977	23,825
Total other changes	28,029	8,534	296	883	(1,548)	36,194
At 31 March 2021	226,893	76,114	454	1,412	–	304,873

21. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

b) Reconciliation of liabilities arising from financing activities: (continued)

	Bank and other borrowings (Note 24) HK$'000	Amounts due to related parties (Note 29) HK$'000	Interest payables (Note 23) HK$'000	Lease liabilities (Note 31) HK$'000	Contingent consideration payable (Note 23) HK$'000	Total HK$'000
At 1 April 2019	175,625	50,157	817	2,039	13,099	241,737
Changes from financing cash flows:						
Proceeds from new bank and other borrowings	111,694	–	–	–	–	111,694
Repayment of bank and other borrowings	(143,426)	–	–	–	–	(143,426)
Finance costs paid	(10,120)	–	(1,215)	–	–	(11,335)
Payment of lease liabilities	–	–	–	(1,284)	–	(1,284)
Advances from related parties	–	93,304	–	–	–	71,080
Repayment to related parties	–	(27,314)	–	–	–	(5,090)
Total changes from financing cash flows	(41,852)	65,990	(1,215)	(1,284)	–	21,639
Change in fair value	–	–	–	–	(628)	(628)
Other changes:						
Interest on bank and other borrowings	10,311	–	724	–	–	11,035
Addition of new lease liabilities	–	–	–	1,176	–	1,176
Interest on lease liabilities	–	–	–	81	–	81
Exchange realignment	(10,483)	(2,765)	(63)	–	(823)	(14,134)
Total other changes	(172)	(2,765)	661	1,257	(823)	(1,842)
At 31 March 2020	133,601	113,382	263	2,012	11,648	260,906

22. OTHER CURRENT ASSETS

	2021 HK$'000	2020 HK$'000
Deductible VAT	**12,921**	12,993

Deductible VAT mainly represents the input VAT relating to purchase of property, plant and equipment and inventories, which is deductible from output VAT. Those expected to be deducted within one year is presented in other current asset.

The higher the monthly market rent, the higher the fair value

23. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables:		
– Amounts due to third parties (note (iii))	**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 (note (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 (note (ii))	**–**	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 HK$'000	2020 HK$'000
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

24. BANK AND OTHER BORROWINGS

(a) The Group's short-term bank and other borrowings are analysed as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings		
– Secured (note (i))	**8,980**	65,552
– Guaranteed (note (ii))	**–**	3,284
Other borrowings		
– Unsecured	**–**	46,195
– Discounted export bills (note (iii))	**4,696**	2,441
	13,676	117,472
Add: Current portion of long-term bank borrowings	**3,214**	1,904
	16,890	119,376

Notes:

(i) At 31 March 2021, short-term bank borrowings of approximately HK$6,261,000 (2020: HK$7,664,000) and long-term bank borrowings of approximately HK$23,718,000 (2020: HK$16,129,000) were secured by land use rights of carrying amount of approximately HK$27,399,000 (2020: HK$25,854,000) and property, plant and machinery of carrying amount of approximately HK$63,834,000 (2020: HK$58,212,000). Long-term bank borrowings of approximately HK$176,793,000 (2020: Nil) were secured by land use rights of carrying amount of HK$34,186,000 (2020: HK$33,588,000), property, plant and machinery of carrying amount of HK$92,568,000 and investment properties of carrying amount of HK$8,619,000 (2020: Nil).

At 31 March 2021, secured short-term bank borrowings also include borrowings of approximately HK$5,933,000 (2020: HK$2,635,000) was secured by inter-company trade receivables of approximately HK$7,785,000 (2020: HK$3,718,000).

(ii) At 31 March 2021, long-term bank borrowing of HK$9,492,000 (2020: nil) was guaranteed by a subsidiary of the Group. At 31 March 2021, short-term bank borrowing of nil (2020: HK$3,284,000) was guaranteed by a subsidiary of the Group.

(iii) At 31 March 2021, the Group has discounted export bills under letters of credit of HK$4,696,000 (2020: HK$2,441,000) to commercial banks for cash with full recourse, with the proceeds received recorded as other borrowings.

(b) The Group's long – term bank and other borrowings are analysed as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings		
– Secured and guarantee (note 24a(i))	**203,725**	16,129
– Secured with guarantee (note 24a(ii))	**9,492**	–
	213,217	16,129
Less: Current portion of long-term bank borrowings	**3,214**	1,904
	210,003	14,225
Within 1 year	**16,890**	119,376
After 1 year but within 2 years	**3,051**	1,904
After 2 years but within 5 years	**200,893**	5,711
After 5 years	**6,059**	6,610
	226,893	133,601

25. DEFERRED INCOME TAX

Deferred income tax liabilities

	Fair value adjustment HK$'000	Accelerated tax depreciation HK$'000	Withholding tax on undistributed profits of the subsidiaries HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 April 2019	5,720	26	540	–	6,286
(Credited)/charged to the profit or loss (note 9(a))	(201)	7	(105)	–	(299)
Exchange adjustments	(361)	–	–	–	(361)
At 31 March 2020	5,158	33	435	–	5,626
Credited to the profit or loss (note 9(a))	(394)	(2)	(213)	(679)	(1,288)
Charged to other comprehensive income	–	–	–	697	697
Exchange adjustments	417	–	–	(24)	393
At 31 March 2021	5,181	31	222	(6)	5,428

Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3.14(ii), the Group has not recognised deferred tax assets in respect of unused tax losses and temporary differences of HK$94,539,000 at 31 March 2021 (2020: HK$67,187,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

26. OTHER NON-CURRENT LIABILITIES

	2021 HK$'000	2020 HK$'000
Advances from related parties (note)		
– Ms. Sun Xue Song	**63,559**	102,529
– Mr. Xue Zhao Qiang	**12,555**	10,853
	76,114	113,382
Rental deposit received	**2,851**	–
	78,965	113,382

Note: Amounts due to related parties are unsecured, non-interest bearing and payable after 12 months of the reporting date.

27. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000 (Note 27(c))	**Share premium** HK$'000 (Note 27(d)(i))	**Other reserve** HK$'000 (Note 27(d)(ii))	**Accumulated Losses** HK$'000	**Total** HK$'000
At 1 April 2019	2,187	72,403	34,132	(37,226)	71,496
Total comprehensive income for the year	–	–	–	(77,198)	(77,198)
At 31 March 2020	2,187	72,403	34,132	(114,424)	(5,702)
Total comprehensive income for the year	–	–	–	(4,134)	(4,134)
At 31 March 2021	2,187	72,403	34,132	(118,558)	(9,836)

(b) Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

(c) Share capital

	2021		2020	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	2021		2020	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Issued and fully paid:				
At 1 April and 31 March	**218,733**	**2,187**	218,733	2,187

27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(ii) Other reserve

Other reserve comprises:

– Capital contribution from the equity shareholders of the Company in the form of waived amounts due to them of HK$33,352,000.

– Other changes in equity arising from the Group reorganisation took place during the listing of the Company's shares in prior years.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into HK$. The reserve is dealt with in accordance with the accounting policies set out in note 3.6.

(e) Property revaluation reserve

The property revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group for own use as a result of transfer of those properties to investment properties.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the ratio of total liabilities to total assets (i.e. the "liability-to-asset ratio"). During the year ended 31 March 2021, the Group's strategy was to maintain the liability-to-asset ratio at an acceptable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt. At 31 March 2021, the liability-to-asset ratio of the Group is 92.5% (31 March 2020: 86.6%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or debtor rather than the industry in which the customers and the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 20% (2020: 34%) and 61% (2020: 75%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers, respectively.

Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group usually accepts letters of credit issued by commercial banks to facilitate payment in its trade with overseas customers and no credit period are granted to these customers. Most of the sales are settled by letters of credit. The credit risk is limited as the letters of credit are issued by banks with high credit ratings. For other customers, trade receivables are due with 30-90 days from date of billing. Debtors with balances that are more than 3 months past due are request to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group's exposure to credit risk and ECLs for contract assets is not material, and as a result no further loss allowances for contract assets are recognised as at 31 March 2021 and 31 March 2020.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2021 and March 2020:

	Expected credit loss rate (%)	31 March 2021 Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
Neither past due nor impaired	**2.01%**	**16,305**	**328**
Within 60 days past due	**3.74%**	**2,700**	**101**
61-90 days past due	**–**	**–**	**–**
91-180 days past due	**15.82%**	**822**	**130**
181-365 days past due	**15.87%**	**1,172**	**186**
More than 365 days past due	**100%**	**724**	**724**
		21,723	**1,469**

	Expected credit loss rate (%)	31 March 2020 Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
Neither past due nor impaired	–	18,536	–
Within 60 days past due	–	370	–
61-90 days past due	–	–	–
91-180 days past due	–	515	–
181-365 days past due	–	–	–
More than 365 days past due	100%	96	96
		19,517	96

Expected loss rate are based on the actual loss experience over the past 2 years. These rates are adjusted to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of these receivables.

Movement in the loss allowance account in respect of trade receivable during the year is as follows:

	2021 HK$'000	2020 HK$'000
Balance at April 1	**96**	103
Impairment losses recognised during the year	**1,365**	–
Exchange difference	**8**	(7)
Balance at March 31	**1,469**	96

The higher the monthly market rent, the higher the fair value

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**
As at 31 March 2021						
Non-derivatives:						
Trade and other payables	**63,067**	**63,067**	**63,067**	**–**	**–**	**–**
Bank and other borrowings (note 24)	**226,893**	**271,484**	**32,295**	**24,207**	**212,693**	**2,289**
Lease liabilities (note 31)	**1,412**	**1,461**	**1,133**	**289**	**39**	**–**
Other non-current liabilities (note 26)	**78,965**	**78,965**	**–**	**76,114**	**2,851**	**–**
	370,337	**414,977**	**96,495**	**100,610**	**215,583**	**2,289**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
As at 31 March 2020						
Non-derivatives:						
Trade and other payables	78,592	78,592	78,592	–	–	–
Bank and other borrowings (note 24)	133,601	140,157	124,309	789	6,789	8,270
Lease liabilities (note 31)	2,012	2,026	1,193	645	188	–
Other non-current liabilities (note 26)	113,382	113,382	–	113,382	–	–
	327,587	334,157	204,094	114,816	6,977	8,270

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2021		2020	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Bank and other borrowings	**0.59% – 10.51%**	**188,094**	0.40% –10.51%	107,173
Lease liabilities	**2.25% – 5.00%**	**1,412**	2.25% – 5.00%	2,012
		189,506		109,185
Variable rate borrowings:				
Bank and other borrowings	**3.70% – 5.40%**	**38,799**	3.89% – 5.40%	26,428
Total borrowings		**228,305**		135,613
Fixed rate borrowings as a percentage of total borrowings		**83%**		80%

(ii) *Sensitivity analysis*

At 31 March 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit/loss after tax and affected accumulated losses by approximately HK$388,000 (2020: HK$289,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax and accumulated losses assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The impact on the Group's profit/loss after tax and accumulated losses is estimated as an annualised impact on interest expenses of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, HK$ and RMB. The Group manages this risk as follows:

(i) *Recognised assets and liabilities*

In respect of cash at bank, receivables, payables, and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances and entering into forward foreign exchange contracts. The Group does not currently designate any hedge relationship on the forward foreign exchange contracts for the purpose of hedge accounting.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$)					
	2021			2020		
	US$ HK$'000	**HK$ HK$'000**	**RMB HK$'000**	US$ HK$'000	HK$ HK$'000	RMB HK$'000
Cash at bank and on hand	**105**	**2,844**	**33**	528	2,624	53
Trade and other payables	**–**	**–**	**–**	–	–	(92)
Bank and other borrowings	**–**	**–**	**–**	(2,636)	–	–
Gross exposure arising from recognised assets and liabilities	**105**	**2,844**	**33**	(2,108)	2,624	(39)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit or loss after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates HK$'000	**(Decrease)/ increase in loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates HK$'000	(Decrease)/ increase in loss after tax and accumulated losses
US$	**5%**	**(4)**	5%	(79)
	(5%)	**4**	(5)%	79
HK$	**5%**	**(107)**	5%	98
	(5%)	**107**	(5)%	(98)
RMB	**5%**	**(1)**	5%	(2)
	(5%)	**1**	(5)%	2

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analysis is performed on the same basis for the year ended 31 March 2021.

The higher the monthly market rent, the higher the fair value

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy
The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	At 31 March 2021 HK$'000	At 31 March 2020 HK$'000	Fair value hierarchy HK$'000
Financial liabilities at fair value through profit or loss			
Contingent consideration payable for acquisition of a subsidiary	–	11,648	Level 3

During the years ended 31 March 2021 and 2020, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of forward foreign exchange contracts is determined by discounting the difference between the forward exchange rates at the end of the reporting period and the contractual forward exchange rates.

The details of the valuation of the fair value of contingent consideration payable (measured at fair value under level 3), were disclosed in note 23 (ii).

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2021 HK$'000	2020 HK$'000
At 1 April	**11,648**	13,099
Acquisition of a subsidiary	**(2,525)**	–
Settlement	**(10,100)**	–
Fair value change in profit or loss	**–**	(628)
Exchange adjustment	**977**	(823)
At 31 March	**–**	11,648

Notes:

(i) Fair value of financial assets and liabilities carried at other than fair value.

(ii) The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2021 and 2020.

29. RELATED PARTY TRANSACTION

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with related parties

	2021 HK$'000	2020 HK$'000
Advances from related parties	**103,631**	93,304
Repayment to related parties	**(149,433)**	(27,314)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 10, and certain of the highest paid employees as disclosed in note 11, is as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**1,272**	1,198
Contributions to defined contribution retirement plans	**18**	18
	1,290	1,216

Total remuneration is included in "staff costs" (see note 8(b)).

(c) Applicability of the GEM Listing Rules relating to connected transactions

The related party transactions in respect of advances from related parties constitute connected transactions as defined in the Chapter 20 of the GEM Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 20 of the GEM Listing Rules under Rule 20.88.

The higher the monthly market rent, the higher the fair value

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	16	**–**	–
Current assets			
Amount due from subsidiaries		**14,960**	14,164
Cash and cash equivalents		**75**	54
Total current assets		**15,035**	14,218
LIABILITIES			
Current liabilities			
Other payables		**3,605**	3,149
Amount due to a subsidiary		**5,235**	5,235
Total current liabilities		**8,840**	8,384
NET CURRENT ASSETS		**6,195**	5,834
Non-current liabilities			
Other non-current liabilities		**16,031**	11,536
NET LIABILITIES		**(9,836)**	(5,702)
CAPITAL AND RESERVES			
Share capital	27	**2,187**	2,187
Reserves		**(12,023)**	(7,889)
TOTAL DEFICIT		**(9,836)**	(5,702)

Approved and authorised for issue by the Board of Directors on 25 June 2021.

Sun Xue Song	**Xue Zhao Qiang**
Chairman and Executive Director	*Executive Director*

31. LEASES

The Group as a lessee

The Group leases a number of properties in the jurisdictions from which it operates. Lease contracts are typically made for fixed periods of one to five years (2020: one to five years). None of the leases includes variable lease payments.

RIGHT-OF-USE ASSETS

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets.

	Properties	Lease prepayment for land use right (Note (i))	Total
	HK$'000	HK$'000	HK$'000
Balance at 1 April 2020	499	59,982	60,481
Additions	801	–	801
Transfer to investment properties (note 14(c))	–	(1,470)	(1,470)
Depreciation charge for the year	(733)	(1,159)	(1,892)
Impairment losses (note (ii))	–	–	–
Foreign exchange movements	–	4,930	4,930
Balance at 31 March 2021	567	62,283	62,850

Notes:

(i) Lease prepayments represent land use right premiums paid by the Group for land situated in mainland China. The land use rights are with lease terms of 50 years.

(ii) Details of the impairment assessment of the Group's right-of-use assets are disclosed in note 13 (i).

LEASE LIABILITIES

	Properties	Motor Vehicles	Equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2020	1,454	405	153	2,012
Additions	801	–	–	801
Interest expense	61	14	7	82
Lease payments	(1,280)	(160)	(43)	(1,483)
Balance at 31 March 2021	1,036	259	117	1,412

31. LEASES (CONTINUED)

LEASE LIABILITIES (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 March 2021 HK$'000	Interest 31 March 2021 HK$'000	Present value 31 March 2021 HK$'000
Not later than one year	1,133	26	1,107
Later than one year and not later than two years	289	18	271
Later than two years and not later than five years	39	5	34
	1,461	49	1,412

	Minimum lease payments 31 March 2020 HK$'000	Interest 31 March 2020 HK$'000	Present value 31 March 2020 HK$'000
Not later than one year	1,261	25	1,236
Later than one year and not later than two years	653	46	607
Later than two years and not later than five years	190	21	169
	2,104	92	2012

The present value of future lease payments are analysed as:

	31 March 2021 HK$'000	31 March 2020 HK$'000
Current liabilities	**1,307**	1,197
Non-current liabilities	**105**	815
	1,412	2,012

	31 March 2021 HK$'000
Short term lease expense	**372**

The Group as a lessor

The Group's investment property is also leased to a tenant. The rental income during the year ended 31 March 2021 was HK$1,464,000 (2020: HK$197,000).

At the end of reporting period, the Group's total future minimum lease receivables under non-cancellable operating lease are as follows:

	2021 HK$'000	2020 HK$'000
Not later than one year	**3,757**	621
Later than one year and not later than two years	**3,530**	–
Later than two years and not later than three years	**2,851**	–
Later than three years and not later than four years	**2,851**	–
Later than four years and not later than five years	**2,138**	–
	15,127	621

32. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Commitments in respect of property, plant and equipment		
– Contracted for	**394**	796

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2021 and 2020 may be categorised as follows:

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets measured at amortised cost		
– Other non current assets	**120**	–
– Trade and other receivables	**23,085**	20,536
– Cash and cash equivalents	**20,946**	11,175
	44,151	31,711
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**62,754**	66,937
– Bank and other borrowings	**226,893**	133,601
– Other non-current liabilities	**78,965**	113,382
– Lease liabilities	**1,412**	2,012
Financial liabilities measured at fair value through profit or loss		
– Contingent consideration payable for acquisition of a subsidiary (note 23)	**–**	11,648
	370,024	327,580

34. EVENT AFTER REPORTING PERIOD

On 20 April 2021, the Company entered into a placing agreement. Pursuant to the agreement, the Company has conditionally agreed to place, through a placing agent on a best efforts basis, a maximum of 43,740,000 new shares to not less than six placees at HK$0.2 per share. On 6 May 2021, 43,740,000 new shares were issued and allotted to not less than six placees at HK$0.2 per share. The net proceeds from the placing of approximately HK$8,450,000 are intended to be used as general working capital of the Group.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 June 2021.

Summary of Financial Information

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for the past five financial years:

	Year ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
RESULTS					
Revenue	**181,880**	223,489	243,232	171,997	145,293
(Loss)/profit before taxation	**(28,787)**	(31,858)	6,357	(3,446)	(15,463)
Income tax credit/(expense)	**1,288**	353	(3,013)	(397)	66
(Loss)/profit for the year	**(27,499)**	(31,505)	3,344	(3,843)	(15,397)
Attributable to:					
Equity shareholders/owners of the Company	**(27,499)**	(31,505)	3,344	(3,843)	(15,397)
Non-controlling interests	**–**	–	–	–	–
	(27,499)	(31,505)	3,344	(3,843)	(15,397)

	As at 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**295,372**	283,994	296,051	70,867	45,141
Current assets	**118,680**	103,937	132,173	74,991	67,496
Current liabilities	**87,999**	201,507	206,441	45,690	25,486
Non-current liabilities	**294,893**	134,453	133,441	9,565	566
Total equity	**31,160**	51,971	88,342	90,603	86,585
Attributable to:					
Equity shareholders/owners of the Company	**31,160**	51,971	88,342	90,603	86,585
Non-controlling interests	**–**	–	–	–	–
	31,160	51,971	88,342	90,603	86,585

Notes:

(1) The consolidated results of the Group for the years ended 31 March 2020 and 2021 are set out on page 29 of this annual report.

(2) The consolidated assets and liabilities of the Group at 31 March 2020 and 2021 are set out on page 30 of this annual report.

(3) The summary above does not form part of the audited consolidated financial statements.