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STEED ORIENTAL (HOLDINGS) COMPANY LIMITED

駿東（控股）有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 8277)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE

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

The board of Directors of the Company (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2023, together with comparative figures for the corresponding period of 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

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

	<i>Notes</i>	2023 HK\$’000	2022 <i>HK\$’000</i>
Continuing operations			
Revenue	3	12,509	93,832
Cost of sales		<u>(10,520)</u>	<u>(69,218)</u>
Gross profit		1,989	24,614
Other income	4	4,666	3,703
Other gains and losses, net	5	(3,359)	1,715
Selling expenses		(83)	(176)
Administrative expenses		(16,937)	(16,469)
Fair value loss on investment properties		<u>(1,373)</u>	<u>(3,408)</u>
(Loss)/profit from operations		(15,097)	9,979
Finance costs	6(a)	<u>(15,016)</u>	<u>(16,781)</u>
Loss before taxation	6	(30,113)	(6,802)
Income tax credit	7	<u>1,145</u>	<u>1,242</u>
Loss for the year from continuing operations		<u>(28,968)</u>	<u>(5,560)</u>
Discontinued operation			
(Loss)/profit for the year from discontinued operation	8	<u>(226)</u>	<u>521</u>
Loss for the year attributable to equity shareholders of the Company		<u>(29,194)</u>	<u>(5,039)</u>

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translating into presentation currency		1,786	–
<i>Items that may be subsequently reclassified to profit or loss</i>			
Reclassification of cumulative exchange reserve to profit or loss upon disposal of subsidiaries		3,987	–
Exchange differences arising on translating foreign operations		<u>(3,763)</u>	<u>1,801</u>
Other comprehensive income for the year, net of tax		<u>2,010</u>	<u>1,801</u>
Total comprehensive expense for the year attributable to equity shareholders of the Company		<u>(27,184)</u>	<u>(3,238)</u>
(Loss)/profit for the year attributable to equity shareholders of the Company			
– from continuing operations		(28,968)	(5,560)
– from discontinued operation		<u>(226)</u>	<u>521</u>
Loss for the year		<u>(29,194)</u>	<u>(5,039)</u>
(Loss)/earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the year			
Basic and diluted (HK cents)	9		
– from continuing operations		(11.03)	(2.15)
– from discontinued operation		<u>(0.09)</u>	<u>0.20</u>
Loss per share for the year		<u>(11.12)</u>	<u>(1.95)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

(Expressed in HK\$)

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		114,065	130,633
Investment properties		34,795	39,205
Right-of-use assets		34,589	37,878
Intangible assets		995	1,340
Other non-current assets		459	498
		<hr/>	<hr/>
Total non-current assets		184,903	209,554
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Current assets			
Inventories		19,372	16,465
Trade and other receivables	<i>10</i>	23,036	36,856
Contract assets		7,708	19,762
Other current assets		–	1,594
Cash and cash equivalents		644	8,069
Tax recoverable		–	4
		<hr/>	<hr/>
		50,760	82,750
Assets of disposal group classified as held for sale	<i>8(a)</i>	–	135,360
		<hr/>	<hr/>
Total current assets		50,760	218,110
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Current liabilities			
Trade and other payables	<i>11</i>	47,276	108,384
Contract liabilities		5,678	3,533
Bank borrowings		169,762	–
Lease liabilities		443	137
		<hr/>	<hr/>
		223,159	112,054
Liabilities of disposal group classified as held for sale	<i>8(a)</i>	–	87,652
		<hr/>	<hr/>
Total current liabilities		223,159	199,706
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET CURRENT (LIABILITIES)/ASSETS		(172,399)	18,404
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	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Bank borrowings		–	184,042
Deferred income tax liabilities		2,689	4,092
Deferred income		285	358
Lease liabilities		216	–
Other non-current liabilities		–	2,968
		<hr/>	<hr/>
Total non-current liabilities		3,190	191,460
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET ASSETS		9,314	36,498
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Share capital		2,625	2,625
Reserves		6,689	33,873
		<hr/>	<hr/>
TOTAL EQUITY		9,314	36,498
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NOTES

(Expressed in HK\$ unless otherwise indicated)

1 GENERAL

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation the consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

During the year, COVID-19 pandemic still had a significant negative impact to the Group’s performance due to the suspension of factory operations arising from the lockdown of cities in Mainland China until December 2022. As a result, the Group incurred a loss from continuing operations of approximately HK\$28,968,000 for the year ended 31 March 2023. As at 31 March 2023, the Group had net current liabilities of approximately HK\$172,399,000 while the Group only had a balance of cash and cash equivalents of approximately HK\$644,000. These conditions may cast significant doubt on the Group’s ability to continue as a going concern.

With respect to the above conditions, the directors of the Company have carried out a detailed review of the cash flow forecast of the Group prepared by management over a forecast period of 15 months from the end of the reporting date (“Cash Flow Forecast”) with the following taken into consideration when assessing the appropriateness of the use of the going concern for preparing the consolidated financial statements:

- With the cancellation of various COVID-19 quarantine measures in Mainland China at the end of 2022, the Group entered into sales framework agreements with its major customers for the sale of wooden products and supplementary materials for a total consideration of approximately HK\$127 million. The management considered that the expected sales would materialise given the recurring demand of the Group’s wooden products and supplementary materials since April 2023;

- The shareholders have undertaken not to request the Group to repay the amounts of approximately HK\$28,594,000 due to them until the Group has sufficient liquidity which determined by the Group to finance its operations; and
- The bank borrowings amounting of HK\$113,934,000 and HK\$55,828,000 are repayable on 2 July 2023 and 22 October 2023 respectively. Directors of the Company considered that, given the improvement of the financial performance and position of the Group after the COVID-19 pandemic and the availability of assets to be used as collateral, there is a reasonable expectation that loans could be extended upon repayment 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. Nevertheless, the validity of the use of the going concern basis depends on the successful implementation of the above plans and measures, including the successful achievement of the targeted sales based on the framework agreements, the shareholders' ability to honour their undertakings to the Group, and also the successful renewal of bank loan upon maturity. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(c) Adoption of new or amended HKFRSs

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

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

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Liability in a Sale and Leaseback ²

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

² Effective for annual periods beginning on or after 1 January 2024.

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sourcing, manufacturing and sale of 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.

During the year ended 31 March 2023, the Group disposed of the interests in export sales business segment which was presented as “discontinued operation”. The following segment information of the Group’s business units does not include the discontinued operation.

Disaggregation of revenue

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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Timing of revenue recognition		
At a point in time		
Sale of structural panel	1,860	7,533
Sale of supplementary materials use in construction	3,072	30,632
Others	223	210
	<u>5,155</u>	<u>38,375</u>
Transferred over time		
Made-to-order wooden products	7,354	55,457
	<u>12,509</u>	<u>93,832</u>

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

	2023	2022
	HK\$'000	HK\$'000
Customer A	8,250	41,633
Customer B (<i>note (i)</i>)	<u>–</u>	<u>12,757</u>

Notes:

- (i) The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 31 March 2023.
- (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

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

(b) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers which is based on the location at which the goods are delivered.

	2023	2022
	HK\$'000	HK\$'000
Mainland China	<u>12,509</u>	<u>93,832</u>

The Group has operations in two principal geographical areas – Hong Kong (“HK”) and Mainland China during the years ended 31 March 2023 and 2022. Information about the Group's non-current assets presented based on the location of the non-current assets is as below:

	2023	2022
	HK\$'000	HK\$'000
HK	662	169
Mainland China	<u>184,241</u>	<u>209,385</u>
	<u>184,903</u>	<u>209,554</u>

4 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Rental income	2,661	3,523
Other income from trading of other goods	1,904	–
Bank interest income	2	4
Government subsidies (<i>note</i>)	99	54
Others	–	122
	<u>4,666</u>	<u>3,703</u>

Note: The government subsidies mainly represented “Employment Support Scheme (ESS)” and “Air pollution prevention” subsidy launched by Hong Kong Government and the government of the People’s Republic of China (“PRC”) respectively.

5 OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Net gain on disposal of property, plant and equipment	972	2
Net foreign exchange (loss)/gain	(4,251)	1,036
Others	(80)	677
	<u>(3,359)</u>	<u>1,715</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) Finance costs		
Continuing operations		
Interest on bank borrowings	14,991	16,762
Interest on lease liabilities	<u>25</u>	<u>19</u>
	<u>15,016</u>	<u>16,781</u>

No borrowing costs have been capitalised for the years ended 31 March 2023 and 2022.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(b) Staff costs		
Continuing operations		
Salaries, wages and other benefits	3,828	4,555
Contributions to defined contribution retirement plans	<u>117</u>	<u>82</u>
	<u>3,945</u>	<u>4,637</u>

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

The employees of the Group's subsidiaries in Mainland China 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.

	2023	2022
	HK\$'000	HK\$'000
(c) Other items		
Continuing operations		
Depreciation of property, plant and equipment	4,988	5,944
Amortisation of intangible assets	242	251
Depreciation of right-of-use assets		
Properties	387	401
Land use right	748	784
Expected credit loss of trade receivables	3,915	310
Expected credit loss of other receivables	805	–
Short term lease expenses	14	14
Provision for impairment of inventories	385	337
Fair value loss on investment properties	1,373	3,408
Auditors' remuneration	1,180	1,300
Cost of inventories [#]	10,520	69,218
	<u> </u>	<u> </u>

[#] Cost of inventories includes HK\$5,668,000 (2022: HK\$6,567,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 TAXATION

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

	2023	2022
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
Provision of PRC Corporate Income Tax for the year	<u> </u> –	<u> </u> –
Deferred income tax	<u> </u> (1,145)	<u> </u> (1,242)
	<u> </u> (1,145)	<u> </u> (1,242)

The Company and subsidiaries of the Group incorporated in Hong Kong is subject to Hong Kong profits tax under a two-tiered profits tax rates regime. The first HK\$2 million of profits are taxed at 8.25%, and the remaining profits above HK\$2 million are taxed at 16.5%.

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

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the year ended 31 March 2023 (2022: 25%).

8. DISCONTINUED OPERATION

On 16 February 2022, the Company, and Faith Sino Ventures Limited (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) to sell the entire issued share (the “Sale Share”) of the subsidiary, CD Enterprises Company Limited (“CD Enterprises”), and its subsidiaries, together with shareholders’ loan to the Purchaser at the consideration of approximately HK\$47,708,000.

The disposal (the “Disposal”) was completed on 30 June 2022 (the “Date of Completion”) and constitutes a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as the disposal group, which mainly consisted of the export sales business, represented one of the major lines of business of the Group.

Upon completion, the Group ceased to have any beneficial interest in the disposal group, and all the companies in the disposal group ceased to be subsidiaries of the Company. The financial results of the disposal group was no longer consolidated into the consolidated financial statements of the Company.

The assets and liabilities related to the disposal group have been presented as disposal group classified as held for sale. As at 31 March 2022, the assets and liabilities of the disposal group were measured at the fair value less costs to sell, which was lower than the carrying amount and an impairment loss amounted to approximately HK\$9,214,000 was made.

The operation of the disposal group for the year ended 31 March 2022 and the period from 1 April 2022 to 30 June 2022 were presented as discontinued operation in the consolidated financial statements.

(a) **Assets and liabilities of disposal group classified as held for sale**

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2022:

	2022 <i>HK\$'000</i>
Assets of disposal group classified as held for sale	
Property, plant and equipment	54,495
Right-of-use assets	26,176
Other non-current assets	6,322
Inventories	33,728
Trade and other receivables	12,760
Other current assets	2,609
Cash and cash equivalents	8,484
	<hr/>
	144,574
Less: Impairment loss on disposal group classified as held for sale	(9,214)
	<hr/>
Total assets of disposal group classified as held for sale	135,360
Liabilities of disposal group classified as held for sale	
Trade and other payables	(32,225)
Contract liabilities	(1,904)
Bank and other borrowings	(50,130)
Lease liabilities	(1,169)
Income tax payable	(1,402)
Deferred income tax liabilities	(822)
Amount due to the Group	(66,489)
	<hr/>
	(154,141)
Less: Amount due to the Group	66,489
	<hr/>
Total liabilities of disposal group classified as held for sale	(87,652)
Cash consideration receivable	47,708
Less: Transfer of amount due to the disposal group to purchaser	(66,489)
Add: Impairment loss on disposal group classified as held for sale	9,214
	<hr/>
Net liabilities of the disposal group	<u><u>(9,567)</u></u>

(b) Analysis of the result of the discontinued operation is as follows:

	Period from 1 April 2022 to the Date of Completion <i>HK\$'000</i>	Year ended 31 March 2022 <i>HK\$'000</i>
Revenue	101,742	209,074
Cost of sales	(76,761)	(154,642)
Gross profit	24,981	54,432
Other income	436	28
Other gains and losses, net	1,837	(1,713)
Selling expenses	(4,944)	(11,861)
Administrative expenses	(7,672)	(27,681)
Profit from operations	14,638	13,205
Finance costs	(528)	(2,115)
Profit before taxation	14,110	11,090
Income tax expense	(2,979)	(1,355)
Profit for the year from discontinued operation	11,131	9,735

(c) Analysis of cash flow of the discontinued operation is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Operating cash flows	26,629	2,512
Investing cash flows	(1,077)	–
Financing cash flows	6,563	(3,148)
Total cash flows	32,115	(636)

(d) **Reconciliation of profit before taxation from discontinued operation, net of impairment**

	2023	2022
	HK\$'000	HK\$'000
Profit for the year from discontinued operation	11,131	9,735
Less: Impairment loss on disposal group classified as held for sale	–	(9,214)
Less: Loss on disposal of subsidiaries	(7,370)	–
Less: Reclassification of cumulative translation reserve upon disposal of the disposal group to profit or loss	(3,987)	–
	<hr/>	<hr/>
(Loss)/profit for the year from discontinued operation, net of impairment	(226)	521
	<hr/> <hr/>	<hr/> <hr/>

A loss of approximately HK\$7,370,000 arose on disposal of the disposal group, being the proceeds of the Disposal less the carrying amount of the disposal group's net assets to the Group. No tax charge or credit arose from the Disposal.

For the purpose of presenting the discontinued operation, certain comparative figures in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes have been restated to present the results of the disposal group as discontinued operation to conform to the current period presentation.

9 (LOSS)/EARNINGS PER SHARE

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

	2023	2022
(Loss)/profit (HK\$'000)		
(Loss)/profit for the purpose of calculating the basic and dilutive earnings per share		
– from continuing operations	(28,968)	(5,560)
– from discontinued operation	<u>(226)</u>	<u>521</u>
Loss for the year	<u>(29,194)</u>	<u>(5,039)</u>
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	262,473	258,279
(Loss)/earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the year		
Basic and dilutive (HK cents)		
– from continuing operations	(11.03)	(2.15)
– from discontinued operation	<u>(0.09)</u>	<u>0.20</u>
Loss per share for the year	<u><u>(11.12)</u></u>	<u><u>(1.95)</u></u>

There were no potential dilutive ordinary shares outstanding during the years ended 31 March 2023 and 31 March 2022.

10 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables due from third parties	7,954	29,558
<i>Less:</i> Loss allowance	<u>(5,702)</u>	<u>(1,812)</u>
Trade receivables	----- 2,252	----- 27,746
Prepayments, deposits and other receivables:		
– Prepayments for purchase of inventories	12,401	8,027
– Receivable from trading of other goods	8,919	–
– Receivable from tenants	–	472
– Others (<i>note</i>)	<u>269</u>	<u>611</u>
	21,589	9,110
<i>Less:</i> Loss allowance	<u>(805)</u>	<u>–</u>
Other receivables	----- 20,784	----- 9,110
Trade and other receivables	<u><u>23,036</u></u>	<u><u>36,856</u></u>

Note: The amounts mainly represent rental deposit of HK\$120,000 (2022: HK\$120,000).

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	1,068	9,116
31 to 60 days	–	12,489
61 to 90 days	–	4,514
91 to 180 days	–	1,627
180 to 365 days	<u>1,184</u>	<u>–</u>
	<u><u>2,252</u></u>	<u><u>27,746</u></u>

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

11 TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables:		
– Amounts due to third parties (<i>note (ii)</i>)	2,242	2,749
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	3,877	3,757
– Amounts due to then related parties of Hebei Youlin (<i>note (i)</i>)	60	2,692
– Payables for acquisition of property, plant and equipment	9,625	10,409
– Interest payables	436	472
– Other tax payables	1,037	–
– Other accruals and payables	1,405	6,425
– Advances from related parties (<i>note (iii)</i>)	28,594	81,880
	47,276	108,384

Notes:

- (i) The amounts due to then related parties of Hebei Youlin Technology Company Limited (“Hebei Youlin”) include advances from Mr. Huo Julin, one of the then equity owners of Hebei Youlin, amounting to approximately HK\$60,000 (2022: HK\$64,000) which are unsecured, non-interest bearing and expected to be settled within one year.

The advances from a company with 20% of equity interests held by Mr. Li Xianfeng, another then equity owner of Hebei Youlin was fully settled during the year ended 31 March 2023 (2022: HK\$2,628,000).

- (ii) All of the trade and other payables at 31 March 2023 and 2022 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	207	911
31 to 60 days	8	213
61 to 90 days	2	23
Over 90 days	2,025	1,602
	2,242	2,749

- (iii) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

12 DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the years ended 31 March 2023 and 2022.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2023.

OPINION

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 2023, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.2 to the consolidated financial statements, which indicates that the Group incurred a loss from continuing operations of approximately HK\$28,968,000 and as of that date, the Group had net current liabilities of approximately HK\$172,399,000. These conditions, along with other matters as set forth in note 3.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group currently is principally engaged in the sourcing, manufacturing and sale of wooden products.

Due to the uncertain global political and economic situation, COVID-19 epidemic and the intense competitions in the plywood market, the Group determined to end all of its export-related business. On 16 February 2022, the Group entered into a sale and purchase agreement to dispose of CD Enterprises Company Limited and its subsidiaries which were principally engaged in sourcing, manufacturing and sale of plywood products. The transaction completed on 30 June 2022. The remaining group is principally engaged in sourcing, manufacturing and sale of wooden products including but not limited to structural panels, supplementary materials used in construction and made-to-order wooden products such as wooden structural components (including installation services), wooden doors and windows and wooden furniture.

During the year ended 31 March 2023, the Group and its upstream and downstream enterprises were adversely affected by the resurgence of the COVID-19 pandemic in certain regions, especially during the period from October to December 2022, the recurring outbreak of the COVID-19 pandemic in Hebei has put great pressure on the Group's business, our daily operations have almost been completely suspended. The epidemic in Hebei has not subsided in January 2023, and coupled with the Spring Festival holiday, our production could only gradually resume since February 2023.

The Group will enhance productivity via different means, such as improving production process, strengthening service quality control and improving its support to customers. Apart from that, the Group will also endeavour to promote a culture of continuous improvement and automation of internal processes so as to improve efficiency and reduce costs. It is expected that the various income-generating and cost-saving measures will help improve the performance of the Group.

FINANCIAL REVIEW

Continuing operations

Revenue

During the year ended 31 March 2023, the Group recorded revenue of approximately HK\$12.5 million, representing a significant decrease of approximately 86.7% decrease comparing to the previous year (2022: approximately HK\$93.8 million). The decrease was mainly due to the decrease in the sale of the Group's products as a result of significant adverse impacts of the strict COVID-19 controls in China.

Gross profit and margin

The gross profit for the year decreased by approximately 91.9% to approximately HK\$2.0 million (2022: approximately HK\$24.6 million).

Loss for the year

During the year ended 31 March 2023, the Group recorded loss of approximately HK\$29.0 million, representing an approximately HK\$23.4 million increase comparing to the previous year (2022: loss of approximately HK\$5.6 million).

The increase was mainly due to i) the decrease in gross profit by approximately HK\$22.6 million to approximately HK\$2.0 million for the year ended 31 March 2023 (2022: approximately HK\$24.6 million); ii) the increase in administration expenses by approximately HK\$0.4 million to approximately HK\$16.9 million for the year ended 31 March 2023 (2022: approximately HK\$16.5 million); and iii) the change in other losses by approximately HK\$5.1 million to approximately HK\$3.4 million (2022: other gains of approximately HK\$1.7 million). Such increase was offset by i) the increase in other income by approximately HK\$1.0 million to approximately HK\$4.7 million (2022: approximately HK\$3.7 million); ii) the decrease in fair value loss on investment properties by approximately HK\$2.0 million to approximately HK\$1.4 million (2022: approximately HK\$3.4 million); and iii) the decrease in the finance costs by approximately HK\$1.8 million to approximately HK\$15.0 million for the year ended 31 March 2023 (2022: approximately HK\$16.8 million).

Discontinued operation

During the year ended 31 March 2023, the Group disposed of CD Enterprises Company Limited and its subsidiaries which were principally engaged in sourcing, manufacturing and sale of plywood products. The Group recorded a loss of approximately HK\$0.2 million from discontinued operation comparing to a profit of approximately HK\$0.5 million in the previous year.

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 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 2023, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank borrowings.

As at 31 March 2023, the Group maintained cash and cash equivalents amounting to approximately HK\$0.6 million (as at 31 March 2022: approximately HK\$8.1 million). The Group recorded net current liabilities of approximately HK\$172.4 million as at 31 March 2023 (as at 31 March 2022: net current assets of approximately HK\$18.4 million), mainly attributable to a total amount of approximately HK\$169.8 million bank borrowings that became repayable within 1 year during the year.

As at 31 March 2023, the Group's total bank borrowings, all being denominated in Renminbi amounted to approximately HK\$169.8 million (as at 31 March 2022: approximately HK\$184.0 million).

As at 31 March 2023, the capital structure of the Group consisted of cash and cash equivalents together with equity attributable to shareholders of the Company, comprised issued share capital and reserves.

As at 31 March 2023, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial year) was approximately 96.0% (as at 31 March 2022: approximately 91.5%).

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2023, certain land use rights of the Group with carrying amount of approximately HK\$33.9 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$80.9 million; and certain investment properties of the Group with aggregate carrying amount of approximately HK\$8.7 million were charged to secure bank borrowings of approximately HK\$169.8 million.

CONTINGENT LIABILITIES

As at 31 March 2023, there were no significant contingent liabilities for the Group.

CAPITAL COMMITMENTS

As at 31 March 2023, the capital commitments in respect of property, plant and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$nil (as at 31 March 2022: approximately HK\$nil).

SIGNIFICANT INVESTMENT

During the year ended 31 March 2023, the Group did not have any significant investment (2022: Nil).

THE DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

On 16 February 2022 (after trading hours), the Company, being the vendor, entered into a sale and purchase agreement with Faith Sino Ventures Limited, being the purchaser, pursuant to which the purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the entire issued share capital of CD Enterprises Company Limited, a company incorporated in the British Virgin Islands with limited liability and was a direct wholly-owned subsidiary of the Company, at a consideration of HK\$47,707,803 in cash.

The disposal completed on 30 June 2022. Upon the completion of the disposal, CD Enterprises Company Limited and its subsidiaries will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

For details, please refer to the announcements of the Company dated 16 February 2022, 9 March 2022 and 30 June 2022 and the circular of the Company dated 13 May 2022.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in Renminbi, which is the functional currency of the Group. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had a total of 29 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. The emoluments of the Directors are determined with reference to, among other things, the prevailing market conditions, the experience, roles and responsibilities of the Directors with the Company. Staff benefit plans maintained by the Group include mandatory provident fund scheme for staff in Hong Kong and applicable social insurance scheme for staff in the PRC.

The Company conditionally approved and adopted a share option scheme on 9 February 2015 (the “Share Option Scheme”) under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Company’s shares. As of 31 March 2023, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2023 and up to the date of this announcement.

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

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

FUTURE PROSPECTS

After the disposal of the sub-group wholly owned by CD Enterprises Company Limited, a wholly-owned subsidiary of the Company, the Group will focus on the domestic market, and will remain engaged in the sourcing, manufacturing and sale of various wooden products including but not limited to wooden building components and other wooden products such as wooden structural components, wooden doors and windows and wooden furniture.

The Group has been striving for enriching its product categories and to explore the market in China. The Group also aims to increase sales to the downstream market by cooperating with other panel processing enterprises for the process and manufacturing of wooden products.

The Group has strived to overcome the adverse impact brought by the COVID-19 pandemic, done its best in seeking for other potential business development for the Group, including any possible expansion in the production capacity or diversification in the distribution channels of trading. The Directors believe that the Group's business performance will gradually recover with the ease of the COVID-19 pandemic, and the Group is in a more advantageous position to further develop and expand its market and products than the small-scale local enterprises.

The Board will maintain the Group's existing principal activities in the sourcing, manufacturing and sale of wooden products, and will review the Group's business and operations and continue to seek new business opportunities to enhance and strengthen the business of the Group. The Board may consider to make any changes that it deems necessary or appropriate to the Group's businesses and operations to enhance the value of the Group.

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2023, the Company had complied with the code provisions as set out in the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 9 February 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are (among other things) to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group’s financial reporting matters to the Board.

The Audit Committee has reviewed the annual results and financial statements of the Group for the year ended 31 March 2023 and recommended to the Board for approval.

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

Hong Kong, 28 June 2023

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

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and will be published on the Company’s website at www.steedoriental.com.hk.