



STEED ORIENTAL (HOLDINGS) COMPANY LIMITED  
駿東（控股）有限公司

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 8277

**2020** *ANNUAL  
REPORT*



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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

Suites 2524-25, 25/F., Sun Hung Kai Centre,

30 Harbour 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 22,

Hopewell Centre,

183 Queen's Road East,

Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## COMPANY'S WEBSITE

[www.steedoriental.com.hk](http://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 2020.

## PERFORMANCE

For the financial year ended 31 March 2020, the Group recorded a loss of approximately HK\$31.5 million, compared to a profit of approximately HK\$3.3 million for the year ended 31 March 2019. For the year ended 31 March 2020, the Group's revenue decreased by approximately 8.1% to approximately HK\$223.5 million (2019: approximately HK\$243.2 million). The gross profit decreased by approximately 4.9% to approximately HK\$42.5 million for the year ended 31 March 2020 (2019: approximately HK\$44.7 million). Selling expenses decreased by approximately 26.0% to approximately HK\$5.4 million for the year ended 31 March 2020 (2019: approximately HK\$7.3 million). Administrative expenses increased by approximately 23.9% to approximately HK\$40.4 million for the year ended 31 March 2020 (2019: approximately HK\$32.6 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 recent 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. The current outbreak of COVID-19 also has adverse impact on the operations of the Group's subsidiaries in the People's Republic of China (the "PRC"), the Group's production plants at Jiangmen and at Ningjin were shut down for around 1 month due to the Spring Festival and the COVID-19 epidemic, and for about 1 month after the factory re-opening, some workers were still unable to return to work for different reasons. This situation continued until the end of March before the operation of the plants gradually return to normal. The relocation work of the production plant in Jiangmen City has been completed at the end of May 2020.

The Board does not recommend payment of a final dividend for the year ended 31 March 2020.

## FUTURE PROSPECTS

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

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

## Chairman's Statement (continued)

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

### **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, 31 July 2020

# Management Discussion and Analysis

## BUSINESS REVIEW

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

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

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the FSC certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC

certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking access to environmentally and socially aware markets.

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

## FINANCIAL REVIEW

### Revenue

During the year ended 31 March 2020, the Group recorded revenue of approximately HK\$223.5 million, representing an approximately 8.1% decrease comparing to the previous year (2019: approximately HK\$243.2 million). The decrease was mainly attributable to the decrease in the revenue from plywood products sales by approximately 35.3% as a result of the decrease in orders received from the existing customers led by the weakened plywood demand, which was partially offset by the revenue from Hebei Youlin that began to be consolidated into the Group's consolidated accounts from this year.

### Gross profit margin

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

### Selling expenses

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



## Management Discussion and Analysis (continued)

### (Loss)/profit for the year

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

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

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's working capital needs and other capital requirements have been met through a combination of shareholders' equity, cash generated from operations, advances from shareholders and bank and other borrowings. Going forward, the Group intends to finance future operations and capital expenditures with cash flow from the Group's operating activities, banking and other facilities as well as other external debt financing made available to the Group.

The primary uses of cash have been, and are expected to continue to be, operating costs and capital expenditures. As at 31 March 2020, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

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

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

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

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





# Management Discussion and Analysis (continued)

## CHARGES ON THE GROUP'S ASSETS

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

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

## CONTINGENT LIABILITIES

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

## CAPITAL COMMITMENTS

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

## SIGNIFICANT INVESTMENT

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

## FOREIGN EXCHANGE EXPOSURE

The trading of plywood products is conducted predominantly in United States dollars and Renminbi while the production costs are mainly denominated in Renminbi. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 205 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Their remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. The emoluments of the Directors are determined with reference to, among other things, the prevailing market conditions, the experience, roles and responsibilities of the Directors with the Company. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

The Company conditionally approved and adopted a share option scheme on 9 February 2015 (the "Share Option Scheme") under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Company's shares. As of 31 March 2020, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

## EVENT AFTER THE REPORTING PERIOD

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

# Directors and Senior Management Profile

## EXECUTIVE DIRECTORS

**Sun Xue Song**, aged 30, 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 46, 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 48, 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 Hebei 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 36, 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 manager 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.

## Directors and Senior Management Profile (continued)

**Dong Ping**, aged 63, 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 32, 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 from 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 42, 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 18 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 Report

## CORPORATE GOVERNANCE PRACTICES

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

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

## 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 2020, except 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.

## 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.

# Corporate Governance Report (continued)

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 2020, four 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
<i>Executive Directors</i>	
Ms. Sun Xue Song ( <i>Chairman</i> )	4/4
Mr. Xue Zhao Qiang ( <i>Chief Executive Officer</i> )	4/4
<i>Non-executive Director</i>	
Mr. Ding Hongquan	4/4
<i>Independent non-executive Directors</i>	
Mr. Wang Wei	4/4
Ms. Dong Ping	4/4
Mr. Zhu Da	4/4

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. Xue Zhao Qiang, an executive Director, and Mr. Wang Wei, 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.

# Corporate Governance Report (continued)

## 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 records of the Directors at the annual general meeting held on 31 July 2019 are set out below:

	Number of meetings attended/ Eligible to attended
<i>Executive Directors</i>	
Ms. Sun Xue Song ( <i>Chairman</i> )	1/1
Mr. Xue Zhao Qiang ( <i>Chief Executive Officer</i> )	1/1
<i>Non-executive Director</i>	
Mr. Ding Hongquan	1/1
<i>Independent non-executive Directors</i>	
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.



# Corporate Governance Report (continued)

During the year ended 31 March 2020, four 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 ( <i>Chairman</i> )	4/4
Ms. Dong Ping	4/4
Mr. Wang Wei	4/4

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

## 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 2020, 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 ( <i>Chairman</i> )	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.

# Corporate Governance Report (continued)

## 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.

# Corporate Governance Report (continued)

During the year ended 31 March 2020, one Remuneration Committee meeting was held and the attendance record of each committee member is set out below:

<b>Name of Directors</b>	<b>Attendance/ Number of the Remuneration Committee Meeting</b>
Ms. Dong Ping ( <i>Chairman</i> )	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 2020 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:

<b>Remuneration band (in HK\$)</b>	<b>Number of individuals</b>
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.



# Corporate Governance Report (continued)

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 2020. 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.

# Corporate Governance Report (continued)

## 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 2020, 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 2020 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.

# Corporate Governance Report (continued)

## 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 Suites 2524-25, 25/F., Sun Hung Kai Centre, 30 Harbour 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 2020, 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](http://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 2020.

## 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 15 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 2020 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 2020 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 2020.

## 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 2020 is set out on page 84 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 2020, 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 2020 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 2020 are set out in note 23 to the financial statements in this report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2020 are set out in note 26(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 26(a) to the financial statements in this report, respectively.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$Nil (2019: approximately HK\$69.3 million).

## DONATIONS

During the year ended 31 March 2020, donation made by the Group amounted to HK\$nil (2019: 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.

# Report of the Directors (continued)

## 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 27 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

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

## 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 2020, sales to the Group’s five largest customers accounted for approximately 69.3% of total sales and sales to the largest customer included therein amounted to approximately 32.1% of total sales. The Group’s five largest suppliers accounted for approximately 39.1% of total purchases during the year ended 31 March 2020 and purchases from the largest supplier included therein amounted to approximately 11.2% 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 2020.

## DIRECTORS

The Directors during the year ended 31 March 2020 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

# Report of the Directors (continued)

## *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. Xue Zhao Qiang, an executive Director, and Mr. Wang Wei, 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 with automatic renewals for a renewal terms of 3 years each renewal and commencing from 6 March 2018 for Mr. Wang Wei, 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 2018, 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 2020 (2019: 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 2020.

## **RELATED PARTY TRANSACTIONS**

Details of the Group's related party transactions are set out in note 28 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. Saved 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.

# Report of the Directors (continued)

## 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 2020.

## 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 2020, 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 1)
	Directly and beneficially owned	Through controlled corporations	Total	
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	30,760,425	–	30,760,425	14.06%
	(Note 2)			

Note: 1. 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 2020.

2. Subsequent to 31 March 2020, 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 (the "Disposal") 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.

Save as disclosed above, as at 31 March 2020, 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 2020, 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 2020, 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.



# Report of the Directors (continued)

## 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 2019 and as of 31 March 2020, no Share Options were outstanding.

During the year ended 31 March 2020, no share options were granted pursuant to the Share Option Scheme.

As at 31 March 2020, none of the Directors or employees held any share options of the Company under the Share Option Scheme.

## Report of the Directors (continued)

### **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 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, 31 July 2020

# Independent Auditor's Report



**Independent auditor's report 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 83, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 ("HKSA") 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.

## **OTHER MATTER**

The consolidated financial statements of the Group for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 21 June 2019.

## **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.

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

As at 31 March 2020, the Group's carrying amount of PPE, ROU and intangible assets, amounted to HK\$219,222,000 (net of accumulated impairment losses of HK\$14,613,000), HK\$60,481,000 (net of accumulated impairment losses of HK\$3,590,000), and HK\$1,644,000 respectively. During the financial year, there were impairment indications on its PPE, ROU and intangible assets 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 ("FVLCD"). The assessment involved critical assumptions and judgement in determining the recoverable amounts. The review lead to the recognition of impairment loss to PPE and ROU amounted to HK\$11,663,000 and HK\$3,590,000 respectively during the financial year (as disclosed in note 13).

Relevant disclosures of PPE, ROU and intangible assets are set out in notes 13, 30 and 14 to the consolidated financial statements.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (CONTINUED)

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

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 HKSA's 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.



# Independent Auditor's Report (continued)

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

As part of an audit in accordance with HKSA's, 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.

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, 31 July 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenues</b>	5	<b>223,489</b>	243,232
Cost of sales		(181,014)	(198,578)
<b>Gross profit</b>		<b>42,475</b>	44,654
Other income	6	<b>1,379</b>	–
Other gains and losses, net	7	<b>(3,511)</b>	5,093
Selling expenses		<b>(5,423)</b>	(7,318)
Administrative expenses		<b>(40,409)</b>	(32,605)
Impairment loss on property, plant and equipment	13	<b>(11,663)</b>	–
Impairment loss on right-of-use assets	30	<b>(3,590)</b>	–
<b>(Loss)/profit from operations</b>		<b>(20,742)</b>	9,824
Finance costs	8(a)	<b>(11,116)</b>	(3,467)
<b>(Loss)/profit before taxation</b>	8	<b>(31,858)</b>	6,357
Income tax credit/(expense)	9	<b>353</b>	(3,013)
<b>(Loss)/profit for the year attributable to equity shareholders of the Company</b>		<b>(31,505)</b>	3,344
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<b>(4,866)</b>	(5,605)
<b>Other comprehensive income for the year</b>		<b>(4,866)</b>	(5,605)
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<b>(36,371)</b>	(2,261)
<b>(Loss)/earnings per share</b>			
Basic and diluted (HK cents)	12	<b>(14.40)</b>	1.53

# Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	219,222	226,610
Lease prepayment for land use right		–	66,269
Right-of-use assets	30	60,481	–
Intangible assets	14	1,644	2,001
Other non-current assets	16	2,647	1,171
<b>Total non-current assets</b>		<b>283,994</b>	<b>296,051</b>
<b>Current assets</b>			
Inventories	17	51,587	77,922
Trade and other receivables	19	26,838	15,942
Lease prepayment for land use right		–	1,406
Trading securities		–	337
Contract assets	18	1,344	4,383
Other current assets	21	12,993	18,178
Cash and cash equivalents	20	11,175	14,005
<b>Total current assets</b>		<b>103,937</b>	<b>132,173</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	22	78,662	98,210
Contract liabilities	18	2,011	1,992
Derivative financial instruments		–	99
Bank and other borrowings	23	119,376	103,593
Obligations under a finance lease		–	140
Lease liabilities	30	1,197	–
Income tax payable		261	2,407
<b>Total current liabilities</b>		<b>201,507</b>	<b>206,441</b>
<b>Net current liabilities</b>		<b>(97,570)</b>	<b>(74,268)</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	23	14,225	72,032
Deferred income tax liabilities	24	5,626	6,286
Deferred income		405	468
Obligations under a finance lease		–	404
Lease liabilities	30	815	–
Other non-current liabilities	25	113,382	54,251
<b>Total non-current liabilities</b>		<b>134,453</b>	<b>133,441</b>
<b>NET ASSETS</b>		<b>51,971</b>	<b>88,342</b>
<b>EQUITY</b>			
Share capital	26	2,187	2,187
Reserves		49,784	86,155
<b>TOTAL EQUITY</b>		<b>51,971</b>	<b>88,342</b>

The consolidated financial statements on pages 29 to 83 were approved and authorized for issue by the Board of Directors on 31 July 2020 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 2020

	Attributable to equity shareholders of the Company					Total equity HK\$'000
	Share capital HK\$'000 (notes 26(c))	Share premium HK\$'000 (notes 26(d)(i))	Other reserve HK\$'000 (notes 26(d)(ii))	Exchange reserve HK\$'000 (notes 26(d)(iii))	Accumulated losses HK\$'000	
<b>Balance as at 1 April 2018</b>	2,187	72,403	41,355	3,114	(28,456)	90,603
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	3,344	3,344
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	(5,605)	–	(5,605)
Total comprehensive income for the year	–	–	–	(5,605)	3,344	(2,261)
<b>At 31 March 2019 and 1 April 2019</b>	2,187	72,403	41,355	(2,491)	(25,112)	88,342
<b>Comprehensive income</b>						
Loss for the year	–	–	–	–	(31,505)	(31,505)
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	(4,866)	–	(4,866)
Total comprehensive income for the year	–	–	–	(4,866)	(31,505)	(36,371)
<b>At 31 March 2020</b>	2,187	72,403	41,355	(7,357)	(56,617)	51,971



# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

Notes	2020 HK\$'000	2019 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit before income tax	(31,858)	6,357
Adjustments for:		
Depreciation		
– Property, plant and equipment	8(c) 10,297	2,994
– Right-of-use assets	8(c) 2,569	–
Impairment loss:		
– Property, plant and equipment	13 11,663	–
– Right-of-use assets	30 3,590	–
Amortisation	8(c) 229	613
Finance costs	8(a) 11,116	3,467
Interest income	6 (15)	(62)
Recognition of government grant as income	6 (539)	–
Net (gain)/loss on disposal of equity securities	7 (8)	107
Net loss arising from forward foreign exchange contracts	7 1,998	68
Gain on a bargain purchase	–	(4,729)
Gain on change in fair value of contingent consideration payable	6 (628)	–
Net loss on disposal of property, plant and equipment	7 79	119
<b>Operating cash flows before movements in working capital</b>	<b>8,493</b>	<b>8,934</b>
Decrease/(increase) in inventories	26,335	(25,479)
(Increase)/decrease in trade and other receivables	(10,896)	9,579
Decrease/(increase) in other current asset	5,185	(3,789)
Increase in other non-current assets	(1,476)	–
Decrease in contract assets	3,039	–
(Decrease)/increase in trade and other payables	(22,583)	2,402
Increase in other contract liabilities	19	–
Increase in deferred income	476	–
<b>Cash generated from/(used in) operations</b>	<b>8,592</b>	<b>(8,353)</b>
Income taxes paid	(2,091)	(1,038)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>6,501</b>	<b>(9,391)</b>
<b>INVESTING ACTIVITIES</b>		
Payments for purchase of property, plant and equipment	(29,033)	(52,025)
Proceeds from property, plant and equipment	115	–
Acquisition of a subsidiary, net of cash paid	–	(18,896)
Payments for purchase of trading securities	–	(1,598)
Payment for forward foreign exchange contracts	(2,097)	–
Proceeds from disposal of trading securities	329	1,537
Interest received	15	62
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,671)</b>	<b>(70,920)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from new bank and other borrowings	111,694	68,497
Repayment of bank and other borrowings	(143,426)	(34,098)
Finance costs paid	(11,335)	(3,153)
Restricted deposits	–	28
Advances from related parties	93,304	87,462
Repayment to related parties	(27,314)	(43,905)
Capital element of finance lease rentals paid	–	(176)
Payment of lease liabilities	(1,284)	–
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>21,639</b>	<b>74,655</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,531)</b>	<b>(5,656)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>14,005</b>	<b>19,974</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(299)</b>	<b>(313)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>11,175</b>	<b>14,005</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 1. GENERAL INFORMATION AND SIGNIFICANT EVENT

### 1.1 GENERAL INFORMATION

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

### 1.2 SIGNIFICANT EVENT

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

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

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

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

#### *HKFRS 16 – Lease*

#### *(i) Impact of the adoption of HKFRS 16*

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

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

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

### (a) Adoption of new/revised HKFRSs – effective for the current year (continued)

#### HKFRS 16 – Lease (continued)

##### (i) Impact of the adoption of HKFRS 16 (continued)

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

	HK\$'000
<b>Consolidated statement of financial position as at 1 April 2019</b>	
Right-of-use assets	69,758
Lease prepayment for land use right (current)	(1,406)
Lease prepayment for land use right (non-current)	(66,269)
Property, plant and equipment	(588)
Obligations under a finance lease (current)	140
Obligations under a finance lease (non-current)	404
Lease liabilities (current)	(1,124)
Lease liabilities (non-current)	(915)

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

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

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

### (a) Adoption of new/revised HKFRSs – effective for the current year (continued)

#### HKFRS 16 – Lease (continued)

##### (i) Impact of the adoption of HKFRS 16 (continued)

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

	HK\$'000
<b>Reconciliation of operating lease commitment to lease liabilities</b>	
Operating lease commitments disclosed as at 31 March 2019	3,016
(Less): effect of discounting at the incremental borrowing rate as at 1 April 2019	(60)
(Less): short-term leases recognised on a straight-line basis as expense	(1,461)
Add: obligations under finance leases recognised at 31 March 2019	544
Lease liabilities as at 1 April 2019	2,039
Of which are:	
Current lease liabilities	1,124
Non-current lease liabilities	915
	2,039

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

##### (ii) The new definition of a lease

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

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



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

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

### (a) Adoption of new/revised HKFRSs – effective for the current year (continued)

#### *HKFRS 16 – Lease (continued)*

##### *(iii) Accounting as a lessee*

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

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

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

#### *Right-of-use asset*

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

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

#### *Lease liability*

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

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

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

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

### (a) Adoption of new/revised HKFRSs – effective for the current year (continued)

#### HKFRS 16 – Lease (continued)

##### (iv) Accounting as a lessor

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

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

##### (v) Transition

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

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

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

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

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

### (b) New/revised HKFRSs that have issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective on 1 April 2019 and have not been early adopted by the Group.

Amendments to HKFRS 3  
Amendments to HKAS 1 and HKAS 8  
Amendments to HKFRS 9, HKAS 39 and HKFRS 7  
HKFRS 17  
Amendments to HKFRS 10 and HKAS 28  
Amendments to HKFRS 16

Definition of a business<sup>1</sup>  
Definition of material<sup>1</sup>  
Interest Rate Benchmark Reform<sup>1</sup>  
Insurance Contracts<sup>2</sup>  
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup>  
COVID-19 Related-Rent Concession<sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020

The Directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

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

### 3.2 Basis of measurement and going concern assumption

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

The Group had incurred losses after tax of approximately HK\$31,505,000 (2019: profit after tax of approximately HK\$3,344,000) for the year ended 31 March 2020 and, as of that date, had net current liabilities of approximately HK\$97,570,000 (2019: HK\$74,268,000). As at 31 March 2020, the Group had total bank and other borrowings of approximately HK\$133,601,000 (Note 23) and other non-current liabilities (representing amounts due to shareholders, as detailed in Note 25) of approximately HK\$113,382,000.

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

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

- The Group has successfully renewed the bank borrowings with its lenders before these financial statements are authorised for issue for an aggregate balance approximately HK\$101,448,000 included in the aforementioned bank and other borrowings as at 31 March 2020 for one year with their terms and conditions unchanged. The directors of the Company performed an assessment and are of the opinion that these borrowings could be further renewed when their terms expire;
- Subsequent to the reporting date, the Group raised a term loan amounted to approximately HK\$109,477,000. The loan is secured with the land use right and properties of the Group (Note 13 and 30), with interest bearing at 9.24% per annum, repayable in year 2023;
- Renewed the loan agreement with the shareholders that they confirmed not to request the Group to repay the aforementioned amount within 12 months and accordingly the amounts were classified as non-current liabilities. After the 12 months, the amounts would become repayable when the Group is in the position to repay;
- Performed sensitivity analysis on key perimeters when preparing the cash flow forecast.

Based on the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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 gain and losses". All other foreign exchange gains and losses are presented in the income statement within "Other gain 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 and loss and other comprehensive income as part of the fair value gains or losses.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 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 2020 and 2019, 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.

### 3.9 Lease prepayments for land use rights (accounting policies applied until 31 March 2019)

Lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the period of the lease for 46 to 50 years.

### 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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 entirety 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.

**Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

**FVTPL:** Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTPL, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

#### Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Financial Instruments (continued)

#### (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.

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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Financial Instruments (continued)

#### (ii) *Impairment loss on financial assets (continued)*

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.

#### (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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Financial Instruments (continued)

#### (iii) Financial liabilities (continued)

##### *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.

#### (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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

#### (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.

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.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 3.17 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) Sale 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Revenue recognition (continued)

#### (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.

### 3.18 Leasing (accounting policies applied from 1 April 2019)

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

#### Lease liability

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

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

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Leasing (accounting policies applied from 1 April 2019) (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.

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

### 3.19 Leasing (as a lessee) (accounting policies applied until 31 March 2019)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### *(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.7. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.10. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### *(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

# Notes to the Consolidated Financial Statements (continued)

*For the year ended 31 March 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 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.*



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue for sale of goods (see note 3.17) 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). 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.

### 3.22 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.

### 3.23 Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

### 3.24 Dividend distribution

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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.

### 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, contract assets and amounts due from related parties**

The Group makes provision for impairment of trade receivables, contract assets and related parties based on assumptions about risk of default and expected loss rates 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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.

#### (i) Disaggregation of revenue

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

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

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

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

Details of concentrations of credit risk are set out in note 27(a).

Note:

- (i) The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 31 March 2020.
- (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 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.

	2020 HK\$'000	2019 HK\$'000
Japan	120,856	195,564
PRC	88,406	35,047
Thailand	4,682	5,665
Hong Kong ("HK")	8,223	5,677
Other countries	1,322	1,279
	<b>223,489</b>	<b>243,232</b>

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

	2020 HK\$'000	2019 HK\$'000
HK	531	1,248
PRC	283,463	294,803
	<b>283,994</b>	<b>296,051</b>

## 6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	15	–
Government subsidies	539	–
Rental income	197	–
Gain on changes in fair value of contingent consideration payable (note 22)	628	–
	<b>1,379</b>	<b>–</b>

## 7. OTHER GAINS AND LOSSES, NET

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



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 8. (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Finance costs

Interest on bank and other borrowings  
Finance charges on obligations under a finance lease  
Interest on lease liabilities

2020 HK\$'000	2019 HK\$'000
11,035	3,430
–	37
81	–
11,116	3,467

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

### (b) Staff costs

Salaries, wages and other benefits  
Contributions to defined contribution retirement plans

2020 HK\$'000	2019 HK\$'000
24,033	20,862
1,736	1,315
25,769	22,177

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

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

### (c) Other items

Depreciation of property, plant and equipment  
Amortisation of intangible assets  
Amortisation of lease prepayments  
Depreciation of right-of-use assets  
– Properties (Note 30)\*  
– Motor vehicles (Note 30)\*  
– Equipment (Note 30)\*  
– Land use right (Note 30)  
Operating lease charges in respect of properties and machinery  
Short term lease expenses  
Auditors' remuneration  
– audit services  
– in connection with the major acquisitions  
Impairment loss on property, plant and equipment (Note 13)  
Impairment loss on right-of-use assets (Note 30)  
Cost of inventories<sup>#</sup>

2020 HK\$'000	2019 HK\$'000
10,297	2,994
229	–
–	613
1,038	–
144	–
38	–
1,349	–
–	2,963
1,461	–
1,180	2,010
–	2,736
11,663	–
3,590	–
181,014	198,578

<sup>#</sup> Cost of inventories includes HK\$19,095,000 (2019: HK\$9,630,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

<sup>\*</sup> The Group has initially applied HKFRS 16 using the modified retrospective approach with a date of initial application of 1 April 2019, under which the cumulative effect of initial application is recognised as at 1 April 2019. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a)(i).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 9. TAXATION

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

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Provision for PRC Corporate Income Tax for the year	–	808
Provision for Hong Kong Profits Tax for the year	2	1,906
(Over)/Under-provision of PRC Corporate Income Tax in prior years	(56)	207
	(54)	2,921
Deferred income tax (Note 24)	(299)	92
	(353)	3,013

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	(31,858)	6,357
Income tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (notes (i), (ii) and (iii))	(7,967)	216
Tax effect of non-deductible expenses	371	1,882
Tax effect of tax losses and temporary differences not recognised	7,849	925
Tax effect of tax losses utilised where no deferred tax assets recognised in prior years	(328)	(86)
(Over)/Under-provision in prior years	(251)	207
Others	(27)	(131)
Income tax (credit)/expense for the year	(353)	3,013

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 March 2020 (2019: 16.5%).
- (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 2020 (2019: 25%).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 10. DIRECTORS' EMOLUMENTS

### Name of director and supervisor

#### Executive directors

Ms. Sun Xue Song

Mr. Xue Zhao Qiang

#### Non-executive directors

Mr. Ding Hongquan

#### Independent non-executive directors

Ms. Dong Ping

Mr. Zhu Da

Mr. Wang Wei

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
–	240	–	–	240
–	240	–	–	240
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	480	–	–	480

### Name of director and supervisor

#### Executive directors

Ms. Sun Xue Song

Mr. Xue Zhao Qiang

#### Non-executive directors

Mr. Ding Hongquan

#### Independent non-executive directors

Ms. Dong Ping

Mr. Zhu Da

Mr. Wang Wei

Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2019 Total HK\$'000
–	240	–	–	240
–	240	–	–	240
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	480	–	–	480

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, no (2019: nil) director whose emoluments is disclosed in note 10. The aggregate of the emoluments in respect of the five (2019: five) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	5,165	4,860
Discretionary bonuses	417	704
Retirement scheme contributions	297	264
	<b>5,879</b>	<b>5,828</b>

The emoluments of the five (2019: five) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2020	2019
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	–
HK\$2,500,001 – HK\$3,000,000	–	1
	<b>5</b>	<b>5</b>

## 12. (LOSS)/EARNINGS PER SHARE

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

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

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



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

### COST

	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
At 1 April 2018	22,659	2,309	865	4,089	31,633	61,555
Exchange adjustments	(1,222)	(354)	(40)	(181)	(2,053)	(3,850)
Additions	38,450	63	46	994	16,581	56,134
Acquisition of a subsidiary	133,179	–	1,541	1,479	1,322	137,521
Disposals	(699)	–	(60)	(120)	–	(879)
At 31 March 2019	192,367	2,018	2,352	6,261	47,483	250,481
Initial application of IFRS16 (transfer to ROU (note 30))	–	–	–	(720)	–	(720)
Restated balance at 1 April 2019	192,367	2,018	2,352	5,541	47,483	249,761
Exchange adjustments	(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	247,624	2,274	3,128	5,253	3,539	261,818

### ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

At 1 April 2018	17,436	1,850	557	2,907	–	22,750
Exchange adjustments	(695)	(332)	(27)	(105)	–	(1,159)
Charge for the year	2,113	373	147	361	–	2,994
Written back on disposals	(586)	–	(56)	(72)	–	(714)
At 31 March 2019	18,268	1,891	621	3,091	–	23,871
Initial application of IFRS16 (transfer to ROU (note 30))	–	–	–	(132)	–	(132)
Restated balance at 1 April 2019	18,268	1,891	621	2,959	–	23,739
Exchange adjustments	(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 disposals	(79)	–	(11)	–	–	(90)
At 31 March 2020	34,890	1,965	1,172	4,123	446	42,596

### CARRYING AMOUNT

At 31 March 2020	212,734	309	1,956	1,130	3,093	219,222
At 31 March 2019	174,099	127	1,731	3,170	47,483	226,610

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

- (i) At 31 March 2020, in view that the Group performed substantially below budget due to decrease in sales orders from certain key customers, and the unfavourable future prospects arising from the outbreak of the COVID-19, 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 recoverable amount of a property generates cash flows independently are estimated individually (Unit 1). 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 overseas sale operation unit (Unit 2) and PRC sale operation unit (Unit 3)

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 2020, has been determined based on FVLCD calculation. The Group has assessed the fair value of the property, based on the income approach, discounted cash flow method, the fair value is based on assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of net cash flows on the property interest. A market-derived discount rate is applied to the projected net cash flow in order to establish the present value of the income stream associated with the property. The fair value of the recoverable amounts of this unit is classified as a level 3 fair value measurement.

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

Key assumptions used in calculating the recoverable amount are as follows:

	2020
The growth rate of revenue	1.9%
Discount rate	1.7%

Unit 2:

The recoverable amount of this unit as at 31 March 2020, 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 14.18%.

In allocating the impairment loss, the carrying amount of an asset is not reduced below the highest of its FVLCD (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 and allocation, the impairment loss HK\$11,663,000 and HK\$3,590,000 was recognised to write down the carrying amounts of PPE and ROU to their recoverable amounts of HK\$53,804,000 and HK\$23,804,000 respectively.

Unit 3:

The recoverable amount of this unit as at 31 March 2020, 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 projection period are extrapolated using an estimated growth rate of 3%. The pre-tax discount rate applied is 13.67%.

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

- (ii) As at 31 March 2020, 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 14. INTANGIBLE ASSETS

	Patents and use right of technological know-how (Development cost) HK\$'000
<b>COST</b>	
At 1 April 2018	–
Exchange adjustments	(171)
Acquisition of a subsidiary	2,543
At 31 March 2019	2,372
Exchange adjustments	(151)
<b>At 31 March 2020</b>	<b>2,221</b>
<b>ACCUMULATED DEPRECIATION</b>	
At 1 April 2018	–
Exchange adjustments	(9)
Acquisition of a subsidiary	380
At 31 March 2019	371
Exchange adjustments	(23)
Additions	229
<b>At 31 March 2020</b>	<b>577</b>
<b>CARRYING AMOUNT</b>	
<b>At 31 March 2020</b>	<b>1,644</b>
At 31 March 2019	2,001

Note:

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 15. INVESTMENT IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2020 and 2019 were as follows:

Name of subsidiary	Place of incorporation and operations	Particulars of issued/registered and paid up capital	Proportion of ownership interest		Principal activities
			Directly %	Indirectly %	
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

\* 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.

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 2020 and 2019.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 16. OTHER NON-CURRENT ASSETS

	2020 HK\$'000	2019 HK\$'000
Deposits and prepayments to third parties (note)	2,647	1,171

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

## 17. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	27,151	24,832
Work in progress	11,509	19,216
Finished goods	12,927	33,874
	51,587	77,922

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:

	2020 HK\$'000	2019 HK\$'000
Carrying amount of inventories sold	181,014	198,578

## 18. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

#### Contract assets

Contract assets arising from made-to-order wooden products contracts with customers:

Unbilled production (note (i))

Retention receivables (note (ii))

	2020 HK\$'000	2019 HK\$'000
	298	4,383
	1,046	–
	1,344	4,383

- (i) As at 31 March 2020 and 2019, 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.

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 18. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

### (a) Contract assets (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:

	2020 HK\$'000	2019 HK\$'000
Within one year	696	–
More than one year but less than two years	350	–
Total	1,046	–

### (b) Contract liabilities

#### Contract liabilities

Billing in advance of performance under made-to-order wooden products contracts with customers

	2020 HK\$'000	2019 HK\$'000
	2,011	1,992

Movements in contract liabilities:

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 April	1,992	–
Additions from acquisition of a subsidiary	–	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	(1,992)	–
Increase in contract liabilities as a result of billing in advance of system integration services contracts	2,011	–
Balance as at 31 March	2,011	1,992

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 19. TRADE AND OTHER RECEIVABLES

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

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

### Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

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

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

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 20. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

### a) Cash and cash equivalents comprise:

	2020 HK\$'000	2019 HK\$'000
Cash available on demand	11,175	14,005

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

As at 31 March 2020, included in cash and balance of the Group was HK\$5,297,000 (2019: HK\$4,680,000) 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.

### a) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings HK\$'000 (Note 23)	Amounts due to related parties HK\$'000 (Note 28)	Obligations under a finance lease HK\$'000	Interest payables HK\$'000 (Note 22)	Lease liabilities HK\$'000 (Note 30)	Contingent consideration payable HK\$'000 (Note 22)	Total HK\$'000
<b>At 31 March 2019</b>	175,625	50,157	544	817	–	13,099	240,242
Initial application of HKFRS16	–	–	(544)	–	2,039	–	1,495
At 1 April 2019	175,625	50,157	–	817	2,039	13,099	241,737
<b>Changes from financing cash flows:</b>							
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
<b>Change in fair value</b>	–	–	–	–	–	(628)	(628)
<b>Other changes:</b>							
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 adjustments	(10,483)	(2,765)	–	(63)	–	(823)	(14,134)
Total other changes	(172)	(2,765)	–	661	1,257	(823)	(1,842)
<b>At 31 March 2020</b>	133,601	113,382	–	263	2,012	11,648	260,906



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 20. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Bank and other borrowings HK\$'000 (Note 23)	Amounts due to related parties HK\$'000 (Note 28)	Obligations under a finance lease HK\$'000	Interest payable HK\$'000 (Note 22)	Contingent consideration payable HK\$'000 (Restated) (Note 22)	Total HK\$'000
<b>At 1 April 2018</b>	24,259	6,600	–	–	–	30,859
<b>Changes from financing cash flows:</b>						
Proceeds from new bank and other borrowings	68,497	–	–	–	–	68,497
Repayment of bank and other borrowings	(34,098)	–	–	–	–	(34,098)
Finance costs paid	(1,228)	–	(37)	(1,888)	–	(3,153)
Advances from related parties	–	87,462	–	–	–	87,462
Repayment to related parties	–	(43,905)	–	–	–	(43,905)
Capital element of finance lease rentals paid	–	–	(176)	–	–	(176)
Total changes from financing cash flows	33,171	43,557	(213)	(1,888)	–	74,627
<b>Other changes:</b>						
Interest on bank and other borrowings	911	–	–	2,519	–	3,430
Finance charges on obligations under a finance lease	–	–	37	–	–	37
Acquisition of a subsidiary	117,851	–	–	186	13,099	131,136
New finance lease	–	–	720	–	–	720
Exchange adjustments	(567)	–	–	–	–	(567)
Total other changes	118,195	–	757	2,705	13,099	134,756
<b>At 31 March 2019</b>	175,625	50,157	544	817	13,099	240,242

## 21. OTHER CURRENT ASSETS

	2020 HK\$'000	2019 HK\$'000
Deductible VAT (note)	12,993	18,178

Note:

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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 22. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables:		
– Amounts due to third parties (note (iii))	20,197	12,927
Other payables and accrued expenses:		
Recognised at amortised cost		
– Payables for staff related costs	6,936	8,283
– Amounts due to then related parties of Hebei Youlin (note (i))	547	33,965
– Payables for acquisition of property, plant and equipment	34,976	21,920
– Interest payables	263	817
– Other accruals and payables	4,095	7,199
Recognised at fair value through profit or loss		
– Contingent consideration payable for acquisition of a subsidiary (note (ii))	11,648	13,099
	<b>78,662</b>	<b>98,210</b>

Note:

- (i) At 31 March 2020, amounts due to then related parties of Hebei Youlin include advances from Mr. Huo Julin, one of the then equity owners of Hebei Youlin, amounting to HK\$547,000 (2019: HK\$12,281,000) and advances from a company with 20% of equity interests held by Mr. Li Xianfeng, another then equity owner of Hebei Youlin amounting to HK\$Nil (2019: HK\$21,684,000), which are unsecured, non-interest bearing and expected to be settled within one year.
- (ii) It represents the second instalment payable under the settlement agreement related to the acquisition of Hebei Youlin, the Group is committed to paying a maximum aggregate amount of HK\$11,648,000 (2019: HK\$13,099,000) contingent payment to the sellers upon fulfilment of certain conditions. Details of the settlement agreement are set out in the Company's announcements dated 24 January 2019 and 14 March 2019.

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

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

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	8,788	6,293
31 to 60 days	375	1,255
61 to 90 days	4,296	707
Over 90 days	6,738	4,672
	<b>20,197</b>	<b>12,927</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 23. BANK AND OTHER BORROWINGS

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

	2020 HK\$'000	2019 HK\$'000
Bank borrowings		
– Secured (note (i))	65,552	69,312
– Guaranteed (note (ii))	3,284	–
Other borrowings		
– Unsecured	46,195	30,131
– Discounted export bills (note (iii))	2,441	2,540
	117,472	101,983
Add: Current portion of long-term bank borrowings	1,904	1,610
	119,376	103,593

Notes:

- (i) At 31 March 2020, short-term bank borrowings of HK\$7,664,000 (2019: HK\$7,018,000) and long-term bank borrowings of HK\$16,129,000 (2019: HK\$14,935,000) were secured by land use rights of carrying amount of HK\$23,804,000 (2019: HK\$28,233,000) and guaranteed by a subsidiary of the Group.

At 31 March 2020, secured short-term bank borrowings also include borrowings of HK\$2,635,000 (2019: HK\$3,150,000) secured by inter-company trade receivables of HK\$3,718,000 (2019: HK\$4,068,000), land use rights of carrying amount of HK\$23,804,000 (2019: HK\$28,233,000) and guaranteed by a subsidiary of the Group and borrowings of HK\$55,253,000 (2019: HK\$59,144,000) secured by land use rights of a third party.

- (ii) At 31 March 2020, short-term bank borrowing of HK\$3,284,000 was guaranteed by a subsidiary of the Group.

- (iii) At 31 March 2020, the Group has discounted export bills under letters of credit of HK\$2,441,000 (2019: HK\$2,540,000) 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:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings		
– Secured (note 23a(i))	16,129	14,935
Other borrowings		
– Unsecured	–	58,707
	16,129	73,642
Less: Current portion of long-term bank borrowings	1,904	1,610
	14,225	72,032

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 23. BANK AND OTHER BORROWINGS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Within 1 year	1,904	1,610
After 1 year but within 2 years	1,904	60,317
After 2 years but within 5 years	5,711	4,830
After 5 years	6,610	6,885
	16,129	73,642

## 24. DEFERRED INCOME TAX

	Fair value adjustment HK\$'000	Accelerated tax depreciation HK\$'000	Withholding tax on undistributed profits of the subsidiaries HK\$'000	Total HK\$'000
At 1 April 2018	–	8	466	474
Charged to the consolidated statement of profit or loss and other comprehensive income (note 9(a))	–	18	74	92
Additions from acquisition of a subsidiary	5,720	–	–	5,720
At 31 March 2019	5,720	26	540	6,286
(Credited)/Charged to the consolidated statement of profit or loss and other comprehensive income (note 9(a))	(201)	7	(105)	(299)
Exchange adjustments	(361)	–	–	(361)
At 31 March 2020	5,158	33	435	5,626

### 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\$62,627,000 at 31 March 2020 (2019: HK\$54,566,000), 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 25. OTHER NON-CURRENT LIABILITIES

Payables for acquisition of property, plant and equipment due to:

- Third parties
- A related party

Advances from related parties

- Ms. Sun Xue Song
- Mr. Xue Zhao Qiang

2020 HK\$'000	2019 HK\$'000 (Restated)
–	59
–	4,035
–	4,094
<b>102,529</b>	45,277
<b>10,853</b>	4,880
<b>113,382</b>	50,157
<b>113,382</b>	54,251

Amounts due to related parties are unsecured, non-interest bearing and payable after one year.

## 26. 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 26(c))	Share premium HK\$'000 (Note 26 (d)(i))	Other reserve HK\$'000 (Note 26(d)(ii))	Accumulated Losses HK\$'000	Total HK\$'000
<b>At 1 April 2018</b>	2,187	72,403	34,132	(28,276)	80,446
Total comprehensive income for the year	–	–	–	(8,950)	(8,950)
<b>At 31 March 2019</b>	2,187	72,403	34,132	(37,226)	71,496
Total comprehensive income for the year	–	–	–	(77,198)	(77,198)
<b>At 31 March 2020</b>	2,187	72,403	34,132	(114,424)	(5,702)

### (b) Dividends

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



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital

	2020		2019	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
<b>Issued and fully paid:</b>				
At 1 April and 31 March	218,733	2,187	218,733	2,187

### (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) 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 2020, 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 2020, the liability-to-asset ratio of the Group is 86.6% (31 March 2019: 79.4%).

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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, 34% (2019: 49%) and 75% (2019: 86%) 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 requested 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 trade receivables and contract assets is not material, and as a result no further loss allowances for trade receivables and contract assets are recognised as at 31 March 2020 and 31 March 2019.

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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.

#### As at 31 March 2020

##### Non-derivatives

Trade and other payables	78,592	78,592	78,592	–	–	–
Bank and other borrowings (note 23)	133,601	140,157	124,309	789	6,789	8,270
Lease liabilities (note 30)	2,012	2,026	1,193	645	188	–
Other non-current liabilities (note 25)	113,382	113,382	–	113,382	–	–
	<b>327,587</b>	<b>334,157</b>	<b>204,094</b>	<b>114,816</b>	<b>6,977</b>	<b>8,270</b>

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
78,592	78,592	78,592	–	–	–
133,601	140,157	124,309	789	6,789	8,270
2,012	2,026	1,193	645	188	–
113,382	113,382	–	113,382	–	–
<b>327,587</b>	<b>334,157</b>	<b>204,094</b>	<b>114,816</b>	<b>6,977</b>	<b>8,270</b>

#### As at 31 March 2019

##### Non-derivatives

Trade and other payables	98,031	98,031	98,031	–	–	–
Bank and other borrowings (note 23)	175,625	191,514	116,350	61,067	6,390	7,707
Obligations under a finance lease	544	587	160	160	267	–
Other non-current liabilities (note 25)	54,251	54,251	–	54,251	–	–
	<b>328,451</b>	<b>344,383</b>	<b>214,541</b>	<b>115,478</b>	<b>6,657</b>	<b>7,707</b>

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
98,031	98,031	98,031	–	–	–
175,625	191,514	116,350	61,067	6,390	7,707
544	587	160	160	267	–
54,251	54,251	–	54,251	–	–
<b>328,451</b>	<b>344,383</b>	<b>214,541</b>	<b>115,478</b>	<b>6,657</b>	<b>7,707</b>

##### Derivative settled net:

Forward foreign exchange contracts

99	99	99	–	–	–
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# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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.

	2020		2019	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
<b>Fixed rate borrowings:</b>				
Bank and other borrowings	0.40%-10.51%	107,173	2.36% – 13.44%	150,522
Lease liabilities	2.25%-5.00%	2,012	–	–
Obligation under a finance lease		–	2.25%	544
		<b>109,185</b>		<b>151,066</b>
<b>Variable rate borrowings:</b>				
Bank and other borrowings	3.89%-5.4%	26,428	4.50% – 5.80%	25,103
		<b>135,613</b>		<b>176,169</b>
<b>Total borrowings</b>				
		<b>80%</b>		<b>86%</b>

#### (ii) Sensitivity analysis

At 31 March 2020, 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\$289,000 (2019: HK\$188,000).

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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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\$)					
	2020			2019		
	US\$ HK\$'000	HK\$ HK\$'000	RMB HK\$'000	US\$ HK\$'000	HK\$ HK\$'000	RMB HK\$'000
Cash at bank and on hand	528	2,624	53	1,943	2,804	105
Trade and other receivables	-	-	-	3,945	-	-
Trade and other payables	-	-	(92)	(2,288)	-	(5,411)
Bank and other borrowings	(2,636)	-	-	(3,150)	-	-
Gross exposure arising from recognised assets and liabilities	(2,108)	2,624	(39)	450	2,804	(5,306)

#### (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.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss after tax and accumulated losses HK\$'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss after tax and accumulated losses HK\$'000
US\$	5% (5)%	(79) 79	5% (5)%	(17) 17
HK\$	5% (5)%	98 (98)	5% (5)%	(105) 105
RMB	5% (5)%	(2) 2	5% (5)%	222 (222)

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 2019.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 March 2020</b>				
Financial liabilities at fair value through profit or loss				
Contingent consideration payable for acquisition of a subsidiary	–	–	11,648	11,648
	–	–	11,648	11,648
<b>At 31 March 2019</b>				
Financial assets at fair value through profit or loss				
Trading securities	337	–	–	337
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
– Forward foreign exchange contracts	–	99	–	99
Contingent consideration payable for acquisition of a subsidiary	–	–	13,099	13,099
	–	99	13,099	13,198

During the years ended 31 March 2020 and 2019, 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 22(ii).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 27. 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:

	2020 HK\$'000	2019 HK\$'000
At 1 April	13,099	–
Acquisition of a subsidiary	–	13,099
Fair value change in profit and loss	(628)	–
Exchange adjustment	(823)	–
At 31 March	11,648	13,099

#### (ii) Fair values of financial assets and liabilities carried at other than fair value

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 2020 and 2019.

## 28. RELATED PARTY TRANSACTION

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

### (a) Transactions with related parties

	2020 HK\$'000	2019 HK\$'000
Acquisition of property from a related party	–	40,351
Advances from related parties	93,304	87,462
Repayment to related parties	(27,314)	(43,905)

### (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:

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	1,198	1,143
Contributions to defined contribution retirement plans	18	18
	1,216	1,161

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

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

The related party transaction in respect of acquisition of property above constitutes connected transaction as defined in Chapter 20 of the Listing Rules. The disclosures required by Chapter 20 of the Listing Rules are provided in the "Reports of the Directors" section of the annual report for the year ended 31 March 2019.

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Notes	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries		–	790
<b>Current assets</b>			
Amounts due from subsidiaries		14,164	85,062
Cash and cash equivalents		54	136
<b>Total current assets</b>		14,218	85,198
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables		3,149	11,459
Amounts due to a subsidiary		5,235	3,033
<b>Total current liabilities</b>		8,384	14,492
<b>NET CURRENT ASSETS</b>		5,834	70,706
<b>Non-current liabilities</b>			
Other non-current liabilities		11,536	–
<b>NET (LIABILITIES)/ASSETS</b>		(5,702)	71,496
<b>CAPITAL AND RESERVES</b>	26		
Share capital		2,187	2,187
Reserves		(7,889)	69,309
<b>TOTAL (DEFICIT)/EQUITY</b>		(5,702)	71,496

Approved and authorised for issue by the board of directors on 31 July 2020.

**Sun Xue Song**  
Chairman and Executive Director

**Xue Zhao Qiang**  
Executive Director

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 30. LEASES

HKFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 3.18.

### Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. Lease contracts are typically made for fixed periods of 1 to 5 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	Motor Vehicles	Equipment	Lease prepayment for land use right (Note (i))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2019	1,495	588	–	67,675	69,758
Additions	989	–	187	–	1,176
Depreciation charge for the year	(1,038)	(144)	(38)	(1,349)	(2,569)
Impairment losses (note (ii))	(947)	(444)	(149)	(2,050)	(3,590)
Foreign exchange movements	–	–	–	(4,294)	(4,294)
Balance at 31 March 2020	499	–	–	59,982	60,481

Note:

- (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 HK\$'000	Motor Vehicles HK\$'000	Equipment HK\$'000	Total HK\$'000
Balance at 1 April 2019	1,495	544	–	2,039
Additions	989	–	187	1,176
Interest expense	52	20	9	81
Lease payments	(1,082)	(159)	(43)	(1,284)
Balance at 31 March 2020	1,454	405	153	2,012

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 30. LEASES (CONTINUED)

### LEASE LIABILITIES (continued)

Future lease payments are due as follows:

	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	2,012

  

	Minimum lease payments 1 April 2019 <sup>note</sup> HK\$'000	Interest 1 April 2019 <sup>note</sup> HK\$'000	Present value 1 April 2019 <sup>note</sup> HK\$'000
Not later than one year	1,197	30	1,167
Later than one year and not later than two years	678	43	635
Later than two years and not later than five years	267	30	237
	2,142	103	2,039

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(a) for further details about the transition.

The present value of future lease payments are analysed as:

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Current liabilities	1,197	1,124
Non-current liabilities	815	915
	2,012	2,039

	31 March 2020 HK\$'000
Short term lease expense	1,461
Aggregate undiscounted commitments for short term leases	1,263

### Operating leases – lessor

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

	2020 HK\$'000	2019 HK\$'000
Not later than one year	621	–



# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2020

## 31. CAPITAL COMMITMENTS

Commitments in respect of property, plant and equipment  
– Contracted for

2020 HK\$'000	2019 HK\$'000
796	3,490

## 32. 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 2020 and 2019 may be categorised as follows:

### Financial assets

Financial assets measured at amortised cost

- Other non-current assets
- Trading securities
- Trade and other receivables
- Contract assets
- Cash and cash equivalents

2020 HK\$'000	2019 HK\$'000
–	1,171
–	337
20,536	11,907
1,344	4,383
11,175	14,005
33,055	31,803

### Financial liabilities

Financial liabilities measured at amortised cost

- Trade and other payables
- Bank and other borrowings
- Obligations under a finance lease
- Other non-current liabilities

Lease liabilities

Financial liabilities measured at fair value through profit or loss

- Derivative financial instruments
- Contingent consideration payable for acquisition of a subsidiary (note 22)

66,937	84,932
133,601	175,625
–	544
113,382	54,251
2,012	–
–	99
11,648	13,099
327,587	328,550

## 33. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 July 2020.

# 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				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>RESULTS</b>					
Revenue	<b>223,489</b>	243,232	171,997	145,293	242,073
(Loss)/profit before taxation	<b>(31,858)</b>	6,357	(3,446)	(15,463)	(8,810)
Income tax credit/(expense)	<b>353</b>	(3,013)	(397)	66	(640)
(Loss)/profit for the year	<b>(31,505)</b>	3,344	(3,843)	(15,397)	(9,450)
Attributable to:					
Equity shareholders/owners of the Company	<b>(31,505)</b>	3,344	(3,843)	(15,397)	(9,450)
Non-controlling interests	<b>–</b>	–	–	–	–
	<b>(31,505)</b>	3,344	(3,843)	(15,397)	(9,450)
	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>283,994</b>	296,051	70,867	45,141	29,611
Current assets	<b>103,937</b>	132,173	74,991	67,496	112,922
Current liabilities	<b>201,507</b>	206,441	45,690	25,486	59,116
Non-current liabilities	<b>134,453</b>	133,441	9,565	566	506
Total equity	<b>51,971</b>	88,342	90,603	86,585	82,911
Attributable to:					
Equity shareholders/owners of the Company	<b>51,971</b>	88,342	90,603	86,585	82,911
Non-controlling interests	<b>–</b>	–	–	–	–
	<b>51,971</b>	88,342	90,603	86,585	82,911

Notes:

- (1) The consolidated results of the Group for the years ended 31 March 2019 and 2020 are set out on page 29 of this annual report.
- (2) The consolidated assets and liabilities of the Group at 31 March 2019 and 2020 are set out on page 30 of this annual report.
- (3) The summary above does not form part of the audited consolidated financial statements.