



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

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

2020 *THIRD
QUARTERLY
REPORT*



CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2020, together with comparative unaudited figures for the corresponding periods in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2020

		Three months ended 31 December		Nine months ended 31 December	
	NOTES	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	53,732	80,061	133,433	178,480
Cost of sales		(43,055)	(61,883)	(106,012)	(147,106)
Gross profit		10,677	18,178	27,421	31,374
Other income		665	–	716	–
Other gains and losses, net		–	1,422	650	(1,231)
Selling expenses		(1,710)	(2,283)	(3,607)	(4,513)
Administrative expenses		(11,303)	(10,293)	(32,483)	(28,683)
(Loss)/profit from operations		(1,671)	7,024	(7,303)	(3,053)
Finance costs		(3,898)	(2,581)	(9,630)	(8,555)
(Loss)/profit before taxation		(5,569)	4,443	(16,933)	(11,608)
Income tax credit/(expense)	4	14	(487)	46	(293)
(Loss)/profit for the period attributable to equity shareholders of the Company		(5,555)	3,956	(16,887)	(11,901)

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other comprehensive income/ (expense) <i>Items that may be reclassified to profit or loss:</i> Currency translation differences		2,276	1,048	4,710	(3,255)
Other comprehensive income/ (expense) for the period		2,276	1,048	4,710	(3,255)
Total comprehensive (expense)/income for the period attributable to equity shareholders of the Company		(3,279)	5,004	(12,177)	(15,156)
(Loss)/profit per share – Basic and diluted (HK cents)	6	(2.54)	1.81	(7.72)	(5.44)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2020 (audited)	2,187	72,403	41,355	(7,357)	(56,617)	51,971
Changes in equity for the nine months ended 31 December 2020:						
Loss for the period	-	-	-	-	(16,887)	(16,887)
Other comprehensive income for the period	-	-	-	4,710	-	4,710
Total comprehensive income/(expense) for the period	-	-	-	4,710	(16,887)	(12,177)
Balance at 31 December 2020 (unaudited)	2,187	72,403	41,355	(2,647)	(73,504)	39,794

	Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2019 (audited)	2,187	72,403	41,355	(2,491)	(25,112)	88,342
Changes in equity for the nine months ended 31 December 2019:						
Loss for the period	-	-	-	-	(11,315)	(11,315)
Other comprehensive expense for the period	-	-	-	(3,255)	-	(3,255)
Total comprehensive expense for the period	-	-	-	(3,255)	(11,315)	(14,570)
Balance at 31 December 2019 (unaudited)	2,187	72,403	41,355	(5,746)	(36,427)	73,772

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

1 GENERAL INFORMATION

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 of the Stock Exchange on 23 February 2015. The Group principally engages in the sourcing, manufacturing and sale of plywood products and other wooden products.

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

(a) Adoption of new/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:

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

The adoption of the above amendments to standards did not have any significant financial impact on the unaudited condensed consolidated financial statements.

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

(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 2020 and have not been early adopted by the Group.

Amendment to HKFRS 16	COVID-19 Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018-2020 Cycle ³
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous contracts: Cost of fulfilling a contract ³
Amendments to HKFRS 3	Reference to the conceptual framework ⁴
HKFRS 17	Insurance Contracts ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶

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

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

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all HKFRSs, HKASs and Interpretations 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 GEM Listing Rules.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the nine months ended 31 December 2020 comprise the Company and its subsidiaries, and have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 REVENUE AND SEGMENT REPORTING

Revenue is disaggregated by timing of recognition and major products as below:

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Timing of revenue recognition				
At a point in time				
Sale of general plywood	22,179	33,709	57,766	84,265
Sale of packing plywood	235	1,189	1,329	4,166
Sale of structural panel	14,794	34,452	38,058	52,364
Sale of floor base	763	391	1,122	1,205
Sale of supplementary materials use in construction	209	1,036	229	1,036
Others	882	422	3,717	1,217
	39,062	71,199	102,221	144,253
Transferred over time				
Made-to-order wooden products	14,670	8,862	31,212	34,227
	53,732	80,061	133,433	178,480

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.

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Japan	23,827	43,985	67,649	101,337
The People's Republic of China ("PRC")	26,616	33,380	60,383	68,993
Thailand	1,232	1,357	1,548	3,088
Hong Kong ("HK")	1,101	1,339	2,897	4,554
Other countries or areas	956	–	956	508
	53,732	80,061	133,433	178,480

4 INCOME TAX CREDIT/(EXPENSE)

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current taxation:				
– Provision for Corporate Income Tax of the PRC for the period	–	–	–	–
– Provision for HK Profits Tax for the period	(8)	(77)	(16)	(28)
– Over-provision for PRC Corporate Income Tax in prior period	–	252	–	252
	(8)	175	(16)	224
Deferred taxation:				
– Origination and reversal of temporary differences	3	(26)	(2)	(11)
– The PRC Withholding Tax on retained profits to be distributed	19	338	64	80
	22	312	62	69
	14	487	46	293

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in HK are subject to HK Profits Tax rate of 16.5% for the nine months ended 31 December 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 HK) are subject to the PRC Corporate Income Tax rate of 25% for the nine months ended 31 December 2020 (2019: 25%).

5 DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2020.

6 (LOSS)/PROFIT PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
(Loss)/profit (HK\$'000)				
(Loss)/profit for the purpose of calculating the basic and dilutive earnings per share	(5,555)	3,956	(16,887)	(11,901)
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	218,733	218,733	218,733	218,733
(Loss)/profit per share (HK cents)				
Basic and dilutive	(2.54)	1.81	(7.72)	(5.44)

There were no potential dilutive ordinary shares outstanding during the three and nine months ended 31 December 2020 and 31 December 2019.

MANAGEMENT DECISIONS AND ANALYSIS

BUSINESS REVIEW

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

The competition in the plywood market among countries was keen as the technical content of plywood products is low. The Sino-US trade war and the COVID-19 epidemic also have adverse impact on the sales revenue of plywood products. The Group's sales volume of plywood products decreased by approximately 23.4% from approximately 43,035 cubic meters for the nine months ended 31 December 2019 to approximately 32,987 cubic meters for the nine months ended 31 December 2020. The increase in proportion of some wooden products with higher profit margin, such as wooden structure and aluminum clad wooden windows, resulted in the increase in the average gross profit margin by approximately 3% to approximately 20.6% for the nine months ended 31 December 2020 (2019: approximately 17.6%).

In order to expand its customer base together with the business growth, certain trading subsidiaries of the Group have obtained the Forest Stewardship Council ("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 nine months ended 31 December 2020, the Group recorded revenue of approximately HK\$133.4 million, representing a decrease of approximately 25.3% comparing to the previous period (2019: approximately HK\$178.5 million). The decrease was mainly attributable to the decrease in the sales volume of plywood and other wooden products.

Gross profit margin

The gross profit margin of the Group increased from approximately 17.6% for the nine months ended 31 December 2019 to approximately 20.6% for the nine months ended 31 December 2020. The major reason for such increase was due to the increase in proportion of sales on some wooden products with higher profit margin than plywood products.

Selling expenses

The selling expenses decreased by approximately 20.0% from approximately HK\$4.5 million for the nine months ended 31 December 2019 to approximately HK\$3.6 million for the nine months ended 31 December 2020. The decrease was mainly due to the decrease in the sales volume of plywood and other wooden products.

Loss for the period

The loss of the Group increased by approximately HK\$5 million from a loss of approximately HK\$11.9 million for the nine months ended 31 December 2019 to a loss of approximately HK\$16.9 million for the nine months ended 31 December 2020.

The increase was mainly due to i) the decrease in gross profit due to the decrease in the sales volume of plywood and other wooden products as described above resulting in the decrease in gross profit by approximately HK\$4 million to approximately HK\$27.4 million for the nine months ended 31 December 2020 (2019: approximately HK\$31.4 million); and ii) the increase in administrative expenses by approximately HK\$3.8 million to approximately HK\$32.5 million for the nine months ended 31 December 2020 (2019: approximately HK\$28.7 million). Such increase was offset by (i) the change in other gains and losses by approximately HK\$1.9 million to approximately HK\$0.7 million other gains for the nine months ended 31 December 2020 (2019: approximately HK\$1.2 million other losses); and (ii) the decrease in selling expenses by approximately HK\$0.9 million to approximately HK\$3.6 million for the nine months ended 31 December 2020 (2019: approximately HK\$4.5 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 December 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 December 2020, the Group maintained cash and cash equivalents, being mainly denominated in Renminbi, United States dollars or Hong Kong dollars, amounting to approximately HK\$11.2 million (as at 31 March 2020: approximately HK\$11.2 million). The Group recorded net current assets of approximately HK\$42.1 million as at 31 December 2020 (as at 31 March 2020: net current liabilities of approximately HK\$97.6 million).

As at 31 December 2020, the Group's total bank and other borrowings, being denominated in Renminbi or United States dollars, amounted to approximately HK\$215.2 million (as at 31 March 2020: approximately HK\$133.6 million).

As at 31 December 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 December 2020, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 90.7% (as at 31 March 2020: approximately 88.4%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group's trade receivables of approximately HK\$0.9 million were charged to secure discounted export bills with full recourse.

As at 31 December 2020, certain land use rights of the Group with carrying amount of approximately HK\$64.1 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$88.1 million; and inter-company trade receivable of approximately HK\$3.8 million were charged to secure bank borrowings of approximately HK\$204.9 million.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments in respect of buildings, and machinery and equipment contracted for but not provided for the consolidated financial statements were approximately HK\$1.9 million (as at 31 March 2020: approximately HK\$0.8 million).

FUTURE PROSPECTS

In previous years, as the Group's business 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 HK, 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 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 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.

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.

OTHER INFORMATION

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

As at 31 December 2020, the interests and short positions of the each of the Directors and the chief executive of the Company in 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		Total	Approximate percentage of the Company's issued share capital
	Directly and beneficially owned	Through controlled corporations		
Ms. Sun Xue Song	123,041,695	–	123,041,695	56.25%
Mr. Xue Zhao Qiang	27,978,425	–	27,978,425	12.79%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 218,733,333 issued shares as at 31 December 2020.

Save as disclosed above, as at 31 December 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

As at 31 December 2020, so far as is known to the Directors, no person (other than the Directors or chief executive of the Company) had interests and 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.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors, the controlling shareholder or the substantial shareholders 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 reporting period.

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

During the nine months ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Rules 5.48 to 5.67 of the GEM Listing Rules (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 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 nine months ended 31 December 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2020, save for the above deviation from the Model Code as set out in the announcement of the Company dated 22 May 2020, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

SHARE OPTION SCHEME

The Company conditionally approved and adopted 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, executives or officers of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of the 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 was 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 the shareholders of the Company in general meeting in the manner prescribed in the GEM Listing Rules, the Board shall not grant options to any Eligible Participants if the acceptance of those options would result in the total number of shares issued and to be issued to those Eligible Participants on exercise of the options during any 12-month period up to the offer date exceeding 1% of the total shares then in issue.

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

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

As of 1 April 2020 and as of 31 December 2020, no share options were outstanding.

During the nine months ended 31 December 2020, no share options were granted pursuant to the Share Option Scheme.

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Company established an 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.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Zhu Da (chairman), Mr. Wang Wei and Ms. Dong Ping. The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 and recommended to the Board for approval.

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

Hong Kong, 8 February 2021

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