



**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

A large, vibrant green graphic element that curves across the page. It contains several images: a forest scene with tall trees, a stack of logs in a field, and a lumber mill with stacks of wood. The graphic is surrounded by large, stylized green leaves and a bright sunburst effect in the center.

**2021** **THIRD  
QUARTERLY  
REPORT**



## CHARACTERISTICS OF THE 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.*

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 2021, together with comparative unaudited figures for the corresponding periods in 2020 as follows:

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

*For the three months and nine months ended 31 December 2021*

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4	77,617	53,732	210,823	133,433
Cost of sales		(55,688)	(43,055)	(155,289)	(106,012)
Gross profit		21,929	10,677	55,534	27,421
Other income		1,320	665	2,896	716
Other gains and losses, net		(922)	–	(1,021)	650
Selling expenses		(3,670)	(1,710)	(9,040)	(3,607)
Administrative expenses		(11,787)	(11,303)	(31,482)	(32,483)
Profit/(Loss) from operations		6,870	(1,671)	16,887	(7,303)
Finance costs		(4,783)	(3,898)	(14,308)	(9,630)
Profit/(Loss) before taxation		2,087	(5,569)	2,579	(16,933)
Income tax credit/(expense)	5	27	14	(382)	46
Profit/(Loss) for the period attributable to equity shareholders of the Company		2,114	(5,555)	2,197	(16,887)

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other comprehensive income <i>Items that may be reclassified to profit or loss:</i> Currency translation differences	843	2,276	1,695	4,710
Other comprehensive income for the period	843	2,276	1,695	4,710
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company	2,957	(3,279)	3,892	(12,177)
Profit/(loss) per share – Basic and diluted (HK cents)	0.81	(2.54)	0.86	(7.72)

NOTES

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2021

	Attributable to equity shareholders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2021 (audited)	2,187	72,403	41,355	2,091	(2,760)	(84,116)	31,160
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Changes in equity for the nine months ended 31 December 2021:							
Profit for the period	-	-	-	-	-	2,197	2,197
Other comprehensive income for the period	-	-	-	-	1,695	-	1,695
Total comprehensive income for the period	-	-	-	-	1,695	2,197	3,892
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Issue of shares by placing	438	8,137	-	-	-	-	8,575
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Balance at 31 December 2021 (unaudited)	2,625	80,540	41,355	2,091	(1,065)	(81,919)	43,627

	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	
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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)	
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Balance at 31 December 2020 (unaudited)	2,187	72,403	41,355	(2,647)	(73,504)	39,794	

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

### 1 GENERAL

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

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

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

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

Amendments to HKFRS 16	Covid-19 Related Rent Concession
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

These new or amended HKFRSs did not have any significant impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

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

Amendments to HKAS 16	Proceeds before Intended Use <sup>1</sup>
Amendments to HKFRSs 2018-2020	Annual Improvements Projects <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
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 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

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

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

The consolidated 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 consolidated financial statements. In addition, the consolidated 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 2021 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.



#### 4 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Timing of revenue recognition				
At a point in time				
Sale of general plywood	57,756	22,179	136,145	57,766
Sale of packing plywood	201	235	1,890	1,329
Sale of structural panel	10,918	14,794	35,230	38,058
Sale of floor base	203	763	2,896	1,122
Sale of supplementary materials use in construction	1,037	209	5,750	229
Others	–	882	209	3,717
	70,115	39,062	182,120	102,221
Transferred over time				
Made-to-order wooden products	7,502	14,670	28,703	31,212
	77,617	53,732	210,823	133,433

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Japan	56,982	23,827	137,874	67,649
The People's Republic of China ("PRC")	19,575	26,616	69,256	60,383
Thailand	7	1,232	1,611	1,548
Hong Kong ("HK")	78	1,101	251	2,897
Other countries or areas	975	956	1,831	956
	77,617	53,732	210,823	133,433

## 5 INCOME TAX CREDIT/(EXPENSE)

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current taxation:				
– Provision for Corporate Income Tax of the PRC for the period	–	–	–	–
– Provision for HK Profits Tax for the period	252	(8)	(33)	(16)
	252	(8)	(33)	(16)
Deferred taxation:				
– Origination and reversal of temporary differences	4	3	5	(2)
– The PRC Withholding Tax on retained profits to be distributed	(229)	19	(354)	64
	(225)	22	(349)	62
	27	14	(382)	46

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 2021 (2020: 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 2021 (2020: 25%).

## 6 DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2021.

## 7 PROFIT/(LOSS) PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit/(loss) (HK\$'000)				
Profit/(loss) for the purpose of calculating the basic and dilutive earnings per share	2,114	(5,555)	2,197	(16,887)
Numbers of shares ('000)				
Weighted average number of ordinary shares in issue	262,473	218,733	256,906	218,733
Profit/(loss) per share (HK cents)				
Basic and dilutive	0.81	(2.54)	0.86	(7.72)

There were no potential dilutive ordinary shares outstanding during the three and nine months ended 31 December 2021 and 31 December 2020.

## 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 Sino-US trade war and the Covid-19 epidemic have adverse impact on the sales revenue of plywood products. The competition in the plywood market among countries was keen as the technical content of plywood products is low. Since August 2021, the production of plywood products in Southeast Asia has been greatly affected due to the severe impact of the Covid-19 epidemic. Some plywood orders were transferred to Chinese plywood manufacturers that were relatively less affected. The Group's sales volume of plywood products increased by approximately 27.2% from approximately 32,987 cubic meters for the nine months ended 31 December 2020 to approximately 41,959 cubic meters for the nine months ended 31 December 2021. The average gross profit margin increased by approximately 5.7% to approximately 26.3% for the nine months ended 31 December 2021 (2020: approximately 20.6%).

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 2021, the Group recorded revenue of approximately HK\$210.8 million, representing an increase of approximately 58.0% comparing to the previous period (2020: approximately HK\$133.4 million). The increase was mainly attributable to a rise in average unit selling price and the increase in the sales volume of plywood products.

### Gross profit margin

The gross profit margin of the Group increased from approximately 20.6% for the nine months ended 31 December 2020 to approximately 26.3% for the nine months ended 31 December 2021. The major reason for such increase was due to the rise in average unit selling price and the decrease in average unit cost of sales of the plywood products.

### Selling expenses

The selling expenses increased by approximately HK\$5.4 million from approximately HK\$3.6 million for the nine months ended 31 December 2020 to approximately HK\$9.0 million for the nine months ended 31 December 2021. The increase was mainly due to the increase in the sales volume of plywood products and the increase in transportation cost as a result of the COVID-19 epidemic.

### Profit/(loss) for the period

The Group recorded a profit of approximately HK\$2.2 million for the nine months ended 31 December 2021 compared to a loss of approximately HK\$16.9 million for the nine months ended 31 December 2020.

Such change was mainly due to i) the increase in gross profit as the combined effect of the rise in average unit selling price, the increase in sales volume and the decrease in average unit cost of sales of the plywood products as described above which resulted in the increase of gross profit by approximately HK\$28.1 million to approximately HK\$55.5 million for the nine months ended 31 December 2021 (2020: approximately HK\$27.4 million); and ii) the increase in other income by approximately HK\$2.2 million to approximately HK\$2.9 million for the nine months ended 31 December 2021 (2020: approximately HK\$0.7 million). Such increase was offset by i) the increase in the selling expenses by approximately HK\$5.4 million to approximately HK\$9.0 million for the nine months ended 31 December 2021 (2020: approximately HK\$3.6 million); and ii) the increase in finance costs by approximately HK\$4.7 million to approximately HK\$14.3 million for the nine months ended 31 December 2021 (2020: approximately HK\$9.6 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 2021, the current assets of the Group comprised primarily cash at bank and on hand, trade and other receivables and inventories. The current liabilities comprised primarily of trade and other payables and bank and other borrowings.

As at 31 December 2021, the Group maintained cash and cash equivalents, being mainly denominated in Renminbi, United States dollars or Hong Kong dollars, amounting to approximately HK\$21.5 million (as at 31 March 2021: approximately HK\$20.9 million). The Group recorded net current assets of approximately HK\$33.9 million as at 31 December 2021 (as at 31 March 2021: net current assets of approximately HK\$30.7 million).

As at 31 December 2021, the Group's total bank and other borrowings, being denominated in Renminbi or United States dollars, amounted to approximately HK\$236.1 million (as at 31 March 2021: approximately HK\$226.9 million).

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

As at 31 December 2021, the Group's gearing ratio (calculated by dividing total liabilities by total assets as at the end of financial period) was approximately 90.0% (as at 31 March 2021: approximately 92.5%).

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, the Group's trade receivables of approximately HK\$4.1 million were charged to secure discounted export bills with full recourse.

As at 31 December 2021, certain land use rights of the Group with carrying amount of approximately HK\$65.5 million; certain property, plant and equipment of the Group with aggregate carrying amount of approximately HK\$156.7 million; and certain investment properties of the Group with aggregate carrying amount of approximately HK\$8.6 million were charged to secure bank borrowings of approximately HK\$221.9 million.

## CONTINGENT LIABILITIES

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

## CAPITAL COMMITMENTS

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

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

For details, please refer to the announcements of the Company dated 20 April 2021 and 6 May 2021.

## FUTURE PROSPECTS

In previous years, as the Group’s business has mainly focused on the production and sales of plywood products, and the Group’s customers were mainly scattered in Japan and some other countries or areas such as Thailand and Hong Kong, the Group was more susceptible to the changes in the global economic environment. In view of the continuous shrinking and instability of overseas business, the Group will put more effort into the domestic market in the future. The Group has been working hard to enrich its product categories and to explore the market in China, and has expanded its business to Northern China by strengthening its trading business and acquired Hebei Youlin Technology Company Limited\* (河北優林科技有限公司) (“Hebei Youlin”) as its wholly-owned subsidiary. The production plant of Hebei Youlin at Ningjin County, Hebei Province, the PRC, is primarily engaged in the sourcing, manufacturing and sale of wooden products. The Group also aims to increase sales to the downstream market by cooperating with other plywood processing enterprises for the process and manufacturing of wooden products.

\* For identification purpose only

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 the Group's 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.

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

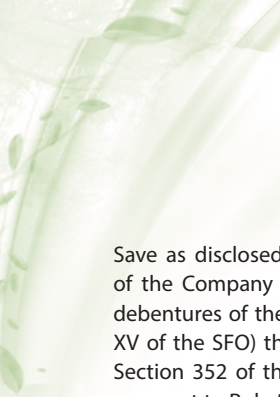
As at 31 December 2021, the interests and short positions of the each of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as 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			Approximate percentage of the Company's issued share capital (Note)
	Directly and beneficially owned	Through controlled corporations	Total	
Ms. Sun Xue Song	123,041,695	–	123,041,695	46.88%
Mr. Xue Zhao Qiang	27,978,425	–	27,978,425	10.66%

Note: The percentage is calculated by dividing the number of shares interested or deemed to be interested by 262,473,333 issued shares as at 31 December 2021.





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

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 December 2021, 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 2021, 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 2021.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the nine months ended 31 December 2021, 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 7.62% 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 2021 and as of 31 December 2021, no share options were outstanding.

During the nine months ended 31 December 2021, no share options were granted pursuant to the Share Option Scheme.

As at 31 December 2021, 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 2021 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 2021 and recommended to the Board for approval.

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

Hong Kong, 9 February 2022

*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.*