



**SHENGLONG SPLENDECOR  
INTERNATIONAL LIMITED**

**盛龍錦秀國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8481)**

**2018**

Third Quarterly Report

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

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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 Shenglong Splendecor International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the manufacturing and sales of decorative printing materials products which mainly comprise of (i) decorative paper; (ii) melamine impregnated paper; (iii) finish foil paper; (iv) polyvinyl chloride (“PVC”) furniture film; and (v) PVC flooring film. For the nine months ended 30 September 2018 (the “Period”), the Group served over 400 customers in both domestic and oversea markets. The overseas sales reached over 30 countries in Asia, North America, South America, Europe, Oceania and Africa.

### **FINANCIAL REVIEW**

The Group’s revenue for the Period was approximately RMB255.7 million, representing an increase of approximately 10.0% over the corresponding period of last year. The increase in the Group’s revenue was mainly because of continued strong demand from our customers in the People’s Republic of China (the “PRC”) primarily driven by growth of need of melamine impregnated paper, PVC flooring film and PVC furniture film and partially offset by the decrease in sales of the Pakistan Market.

We experienced an increase in purchase costs of our key raw materials, in particular the base paper and PVC mould. As a result of increase in purchase costs of the raw materials, the Group’s gross profit margin during the Period dropped to approximately 19.0% (nine months ended 30 September 2017: 23.2%).

#### ***Selling expenses***

The Group’s selling expenses increased by approximately RMB0.4 million or 3.4%, to approximately RMB12.7 million for the Period from approximately RMB12.3 million for the nine months ended 30 September 2017. The increase was primarily due to the payment of licensing fee to one of its customers to use its registered trademarks and partially offset by the decrease in commission expenses along with the decrease in sales of the Pakistan market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Administrative expenses*

The administrative expenses for the Period decreased from approximately RMB29.9 million for the nine months ended 30 September 2017 to approximately RMB29.4 million for the Period. The decrease was mainly attributable to the decrease in one-off listing expenses of RMB5.9 million and partially offset by the increase in research and development cost of RMB4.0 million and the increase in legal and professional expenses of approximately RMB1.8 million.

### *Other income and other gains – net*

The Group's other income and other gains – net increase by approximately RMB3.6 million, to approximately RMB5.2 million for the Period from approximately RMB1.6 million for the nine months ended 30 September 2017. The increase was mainly due to the gain in foreign exchange difference as a result of the depreciation of RMB against US Dollars.

### *Finance expenses – net*

The Group's finance expenses – net decreased by approximately RMB0.3 million, to approximately RMB1.6 million for the Period from approximately RMB1.9 million for the nine months ended 30 September 2017. The reason for this was primarily due to the decrease in interest expenses on bank borrowings as a result of the decrease in average bank borrowings during the Period as compared to the corresponding period of last year.

### *Profit attributable to owners of the Company*

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately RMB8.7 million compared to approximately RMB9.3 million for the nine months ended 30 September 2017, representing a decrease of approximately 6.4%.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB204.0 million (31 December 2017: RMB192.4 million) which comprised cash and cash equivalents of approximately RMB12.1 million (31 December 2017: RMB14.7 million). The Group had current liabilities amounted to approximately RMB263.1 million (31 December 2017: RMB242.8 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.78 times as at 30 September 2018 (31 December 2017: 0.79 times).

The gearing ratio of the Group, calculated based on the interest-bearing liabilities divided by the total equity, was approximately 0.65 as at 30 September 2018 (31 December 2017: 0.64).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FOREIGN EXCHANGE EXPOSURE**

The Group mainly operates in the PRC, but a significant portion of its sales is made to foreign countries, and thus the Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to US Dollars, Euro and Hong Kong dollars. The Group regularly and closely monitors the level of the foreign exchange risk exposures and will make necessary hedging arrangements to minimise its foreign currency exposure arising from the change in foreign exchange in the future.

During the Period, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### **INFORMATION ON EMPLOYEES**

As at 30 September 2018, the Group had 320 employees (31 December 2017: 324 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. The Group also operates a defined contributions to Mandatory Provident Fund scheme for its employees in Hong Kong and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

### **MATERIAL ACQUISITIONS OR DISPOSALS**

There was no material acquisitions or disposals of the Group during the Period.

### **CHARGES OF ASSETS**

As at 30 September 2018, the Group's bank borrowings are secured by its assets as below:

Land use rights with a total net book value of approximately RMB42.1 million (31 December 2017: RMB43.3 million) were pledged as collateral for the Group's borrowings.

Property, plant and equipment with a total net book value of approximately RMB13.3 million (31 December 2017: RMB14.2 million) were pledged as collateral for the Group's borrowings.

### **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 September 2018 (31 December 2017: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **USE OF PROCEEDS**

The Company was listed on the Stock Exchange on 17 July 2017 (the “Listing Date”) and the net proceeds are estimated to be approximately RMB44.6 million. The Company intends to apply (i) approximately 71.8% or RMB32.0 million for enhancing production capacity; (ii) approximately 19.2% or RMB8.6 million for repaying the bank loans; and (iii) the balance of approximately 9.0% or RMB4.0 million for using as general working capital of the Group.

Up to the date of this report, we have utilised (i) approximately RMB23.5 million for enhancing production capacity; (ii) approximately RMB8.6 million for repaying the bank loans; and (iii) approximately RMB2.8 million as general working capital of the Group.

### **PROSPECTS**

In view of the recent global economic condition, we see uncertainties and risks clouding 2018 and years ahead. The escalating international tensions on the horizon, including the US-China trade war, the deadline for Brexit and pressure to reach an agreement between the UK and the European Union, the recent currency turmoil in Turkey, have contributed to market volatilities. Although the adverse effect of which had not been yet fully emerged, all these already eroded confidence in the business sectors, threatening the global economic expansion and hence will further cloud the market outlook.

Against the backdrop of the increasingly challenging market landscape, the Group will exert extra efforts in improving the competitiveness to tackle the risk. During the Period, the Group had taken various cost control measures, including streamlining production processes and boosting the production efficiency in order to increase the gross profit margin. On the other hand, the Group is committed to increase research and development capabilities in order to optimise the product mix and the production efficiency. The Group will continue to improve the manufacturing technologies including plate roller engraving, ink development and impregnation technology.

The Group remains prudently optimistic of the future development of the Group’s business. The growth of the overall business of the Group remains sound and healthy. The popularity of the Group’s products and brand has been heightened, resulting in the strong purchase orders secured for the Group. Leveraging on the extensive product design, increased investment in development capabilities, coupled with highly diversified products and product quality, the Group is well positioned to capture the market share of the decorative printing materials industry.

The board of directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2018 together with the comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	5	92,453	87,063	255,683	232,436
Cost of sales		(74,076)	(68,594)	(207,056)	(178,490)
<b>Gross profit</b>		<b>18,377</b>	18,469	<b>48,627</b>	53,946
Selling expenses		(4,346)	(4,609)	(12,712)	(12,297)
Administrative expenses		(10,682)	(11,064)	(29,397)	(29,900)
Other income and other gains – net	6	2,615	576	5,194	1,570
<b>Operating profit</b>	7	<b>5,964</b>	3,372	<b>11,712</b>	13,319
Finance income		111	95	446	386
Finance expenses		(460)	(759)	(2,026)	(2,325)
Finance expenses – net		(349)	(664)	(1,580)	(1,939)
<b>Profit before income tax</b>		<b>5,615</b>	2,708	<b>10,132</b>	11,380
Income tax expense	8	(1,170)	(82)	(1,423)	(2,073)
<b>Profit for the period</b>		<b>4,445</b>	2,626	<b>8,709</b>	9,307
<b>Profit attributable to:</b>					
– Owners of the Company		4,445	2,626	8,709	9,307
<b>Earnings per share for profit attributable to owners of the Company for the period</b>		<b>RMB cents</b>	RMB cents	<b>RMB cents</b>	RMB cents
– Basic and diluted	9	0.89	0.55	1.74	2.27

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the three months and nine months ended 30 September 2018

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>4,445</b>	2,626	<b>8,709</b>	9,307
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss				
Currency translation differences	<b>(548)</b>	(1,140)	<b>(2,898)</b>	(924)
<b>Other comprehensive income for the period, net of tax</b>	<b>(548)</b>	(1,140)	<b>(2,898)</b>	(924)
<b>Total comprehensive income for the period</b>	<b>3,897</b>	1,486	<b>5,811</b>	8,383
<b>Total comprehensive income for the period attributable to:</b>				
– Owners of the Company	<b>3,897</b>	1,486	<b>5,811</b>	8,383



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the nine months ended 30 September 2018

	Attributable to equity owners of the Company			
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Balance at 1 January 2017</b>	790	37,901	51,424	90,115
<b>Comprehensive income</b>				
Profit for the period	-	-	9,307	9,307
<b>Other comprehensive income</b>				
Currency translation differences	-	(924)	-	(924)
<b>Total comprehensive income</b>	-	(924)	9,307	8,383
<b>Transactions with owners in their capacity as owners</b>				
Capitalisation Issue	2,381	(2,381)	-	-
Issued of shares pursuant to share offer	1,082	72,492	-	73,574
Share issue expenses	-	(8,928)	-	(8,928)
<b>Total transactions with owners in their capacity as owners</b>	3,463	61,183	-	64,646
<b>Balance at 30 September 2017</b>	4,253	98,160	60,731	163,144

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the nine months ended 30 September 2018

	Attributable to equity owners of the Company			
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Balance at 1 January 2018</b>	4,253	98,606	56,920	159,779
<b>Comprehensive income</b>				
Profit for the period	-	-	8,709	8,709
<b>Other comprehensive income</b>				
Currency translation differences	-	(2,898)	-	(2,898)
<b>Total comprehensive income</b>	-	(2,898)	8,709	5,811
<b>Transactions with owners in their capacity as owners</b>				
Appropriation to statutory reserves	-	1,163	(1,163)	-
<b>Balance at 30 September 2018</b>	4,253	96,871	64,466	165,590

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial information.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1 General information**

The Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability under the Cayman Companies Law of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group are principally engaged in the manufacturing and sales of decorative printing materials products in the PRC and overseas. The ultimate holding company of the Company is Bright Commerce Investment Limited (“Bright Commerce”), which is incorporated in the British Virgin Islands.

The unaudited condensed consolidated financial statements are presented in Renminbi (RMB), unless otherwise stated.

### **2 Basis of presentation**

This condensed consolidated financial information for the nine months ended 30 September 2018 has been prepared to comply with the disclosure requirements of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3 Significant accounting policies

The accounting policies applied are consistent with those adopted in preparing the Group's annual audited financial statements for the year ended 31 December 2017, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

#### *(a) Impact of HKFRS 9 adopted by the Group*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

All of the Group's financial assets and financial liabilities were carried at amortised cost, therefore, the new guidance would not have a significant impact on the classification and measurement of its financial assets and financial liabilities.

The Group does not have any hedging instruments. There would have no significant impact arising from the new hedging accounting rules on the accounting for its hedging relationships.

In relation to the impairment of financial assets, the Group has adopted the simplified expected credit loss ("ECL") model for its receivables. This model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses under HKAS 39. The adoption of ECL model hasn't resulted in additional loss allowance recognised in the opening balance sheet on 1 January 2018.

#### *(b) Impact of HKFRS 15 adopted by the Group*

HKFRS 15 replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature. The new standards is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Based on management's assessment, the adoption of the new standards has no significant impact on the Group's financial position and results of operations.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **3 Significant accounting policies** *(Continued)*

#### **(c) Impact of standards issued but not yet applied by the Group**

##### *HKFRS 16, "Leases"*

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. However at the reporting date, the Group has no non-cancellable operating lease commitments.

The new standard is mandatory for financial years commencing on or after 1 January 2019.

The Group does not plan to early adopt HKFRS 16. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations upon adoption of the other new, amended and revised HKFRSs mentioned above.

### **4 Estimates**

The preparation of unaudited condensed financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5 Revenue and segment information

The Board assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are related to manufacturing and sales of decorative printing materials products. Therefore, management considers there is only one operating segment, under the requirements of HKFRS 8, Operating Segments.

All the revenue is from sales of goods and providing shipping service. All non-current assets are located in PRC.

Revenue from external customers by country (based on the location of the customers) is as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
PRC	<b>54,425</b>	47,939	<b>146,217</b>	115,544
Pakistan	<b>17,048</b>	19,805	<b>54,905</b>	63,950
India	<b>4,245</b>	4,506	<b>11,793</b>	13,829
Thailand	<b>2,509</b>	1,683	<b>6,079</b>	4,117
Kenya	<b>2,240</b>	3,561	<b>5,570</b>	6,651
Other countries	<b>11,986</b>	9,569	<b>31,119</b>	28,345
	<b>92,453</b>	87,063	<b>255,683</b>	232,436

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6 Other income and other gains – net**

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	776	679	1,253	1,452
Rental income	24	24	72	72
Government grants income including amortisation of deferred government grants	–	230	116	313
Foreign exchange difference, net	1,758	(348)	3,706	(585)
Others	57	(9)	47	318
	<b>2,615</b>	576	<b>5,194</b>	1,570

**7 Operating profit**

An analysis of the amounts presented as operating items in the financial information is given below.

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Operating items</b>				
Impairment losses of trade and other receivables	481	–	1,121	209
Depreciation and amortisation	1,855	2,430	9,317	7,450
Auditor's remuneration-audit service	250	514	750	514

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current income tax	1,515	1,044	2,570	2,951
Deferred income tax	(345)	(962)	(1,147)	(878)
	<b>1,170</b>	82	<b>1,423</b>	2,073

The corporate income tax rate applicable to the group entities located in the PRC other than Zhejiang Shenglong Decoration Material Co., Ltd (“Shenglong Decoration”) is 25% according to the PRC Corporate Income Tax Law effective on 1 January 2008.

Shenglong Decoration obtained the certificates of High and New Technology Enterprises from local government, in accordance with which, Shenglong Decoration enjoyed a preferential tax rate of 15% during the Period.

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (2017: Nil).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period. In determining the weighted average number of ordinary shares in issue during the Period, a total of 375,000,000 shares which have been taken into account the share subdivision and the capitalisation issue were deemed to have been issued since 1 January 2017.

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>4,445</b>	2,626	<b>8,708</b>	9,307
Weighted average number of ordinary shares in issue	<b>500,000,000</b>	478,260,870	<b>500,000,000</b>	409,798,535
Basic and diluted earnings per share (RMB cents)	<b>0.89</b>	0.55	<b>1.74</b>	2.27

The Company did not have any potential ordinary shares outstanding during the Period. Diluted earnings per share is equal to basic earnings per share.

### 10 Dividends

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

## **OTHER INFORMATION**

### **SHARE OPTION SCHEME**

The Company has adopted an share option scheme on 22 June 2017 (the “Share Option Scheme”). The principal terms of the Share Option Scheme was summarised in note 24 to the consolidated financial statements for the year ended 31 December 2017.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by the eligible participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

No option has been granted since the adoption of the Share Option Scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

## OTHER INFORMATION

### DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 September 2018, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

#### Long position in ordinary shares of the Company

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shareholding (Note 3)</b>
Mr. Sheng Yingming ("Mr Sheng") <sup>(Note 1)</sup>	Interest in controlled corporation	239,950,000 shares	47.99%
Mr. Yu Zemin <sup>(Note 2)</sup>	Interest in controlled corporation	11,250,000 shares	2.25%

Notes:

- (1) These 239,950,000 shares are held by Bright Commerce which is wholly owned by Mr. Sheng and hence, Mr. Sheng is deemed or taken to be interested in all the shares held by Bright Commerce for the purpose of SFO.
- (2) These 11,250,000 shares are held by Well Power Ventures Limited ("Well Power") which is wholly owned by Mr. Yu Zemin and hence, Mr. Yu Zemin is deemed or taken to be interested in all the shares held by Well Power for the purposes of SFO.
- (3) The percentage is calculated on the basis of 500,000,000 shares in issue as at 30 September 2018.

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2018, none of the Directors or the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, so far as was known to the Directors and the chief executives of the Company, the following persons/entities (not being the Director or chief executive of the Company) had, or deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares held <sup>(Note 1)</sup>	Percentage of shareholding
Bright Commerce	Beneficial interest	239,950,000 shares (L)	47.99%
Ms. Chen Deqin <sup>(Note 2)</sup>	Interest of spouse	239,950,000 shares (L)	47.99%
Mr. Ren Yunan ("Mr. Ren") <sup>(Note 4)</sup>	Beneficial interest	101,300,000 shares (L)	20.26%
Ms. Lin Ying <sup>(Notes 3 and 4)</sup>	Interest of spouse	101,300,000 shares (L)	20.26%

## **OTHER INFORMATION**

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Chen Deqin is the spouse of Mr. Sheng. She is deemed, or taken to be, interested in all shares in which Mr. Sheng is interested for the purposes of SFO.
- (3) Ms. Lin Ying is the spouse of Mr. Ren. She is deemed, or taken to be, interested in all shares in which Mr. Ren Yunan is interested for the purposes of SFO.
- (4) As notified by Mr. Ren, on 29 October 2018, Mr. Ren disposed 20,000,000 ordinary shares to an independent third party and accordingly, as at the date of this report, Mr. Ren's percentage of shareholding in the Company reduced to 16.26%.

Save as disclosed above, as at 30 September 2018, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person or corporation (other than the Director and chief executive of the Company) who had any interests or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

### **RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraphs headed "DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE" and "SHARE OPTION SCHEME" in this report, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements 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.

### **COMPETING INTERESTS**

As at 30 September 2018, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **COMPLIANCE ADVISER'S INTERESTS**

As at 30 September 2018, save and except for the compliance adviser's agreement entered into between the Company and Messis Capital Limited (the "Compliance Adviser") dated 29 June 2017, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **OTHER INFORMATION**

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the required standard of dealings (the "Required Standard of Dealings") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to the date of this report. No incident of non-compliance was noted by the Company during such period.

### **CORPORATE GOVERNANCE**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

The Company confirms that, other than the deviation from code provision A.2.1, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the nine months ended 30 September 2018.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sheng holds both positions. Mr. Sheng has been primarily responsible for overseeing our Group's overall management and strategic development of our Group and major decision-making of our Group since July 1993. Taking into account the continuation of management and the implementation of our business strategies, the Directors consider it is most suitable for Mr. Sheng to hold both the positions of chief executive officer and the chairman of our Board and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole. Accordingly, the Company has not segregated the roles of the chairman and chief executive officer as required by A.2.1 of the CG Code.

## **OTHER INFORMATION**

### **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules and paragraph C.3 of the CG Code. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The audit committee consists of three independent non-executive Directors, namely Mr. Tso Ping Cheong Brian (Chairman), Mr. Ma Lingfei and Ms. Huang Yueyuan. The primary duties of the audit committee are to review and supervise the Company's financial reporting process, internal control systems of the Group and to provide advice and comments thereon to the Board.

The unaudited condensed consolidated results of the Group for the Period have been reviewed by the audit committee and the audit committee is of the view that such report is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

By order of the Board  
**Shenglong Splendecor International Limited**  
**Sheng Yingming**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 November 2018

*As at the date of this report, the directors of the Company are:*

#### *Executive Directors*

Mr. Sheng Yingming (*Chairman and Chief Executive Officer*)

Ms. Sheng Sainan

Mr. Fang Xu

Mr. Yu Zemin

#### *Independent Non-executive Directors*

Mr. Ma Lingfei

Mr. Tso Ping Cheong Brian

Ms. Huang Yueyuan