



**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)



**2019**

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.*

## FINANCIAL HIGHLIGHTS

- Revenue for the nine months ended 30 September 2019 was approximately RMB262.5 million, representing an increase of approximately 2.7% as compared to the corresponding period in 2018.
- Gross profit for the nine months ended 30 September 2019 was approximately RMB53.9 million, representing an increase of approximately 10.9% as compared to the corresponding period in 2018.
- Profit attributable to owners of the Company for the nine months ended 30 September 2019 was approximately RMB12.3 million, representing an increase of approximately 41.4% as compared to the corresponding period in 2018.
- Basic earnings per share for the nine months ended 30 September 2019 amounted to approximately RMB2.45 cents (nine months ended 30 September 2018: approximately RMB1.74 cents).
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

## 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 2019 (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

#### *Revenue*

The Group’s revenue for the Period was approximately RMB262.5 million, representing an increase of approximately 2.7% 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.

#### *Cost of sales*

The cost of sales increased by approximately RMB1.5 million, or approximately 0.7%, from approximately RMB207.1 million for the nine months ended 30 September 2018 to approximately RMB208.6 million for the Period, primarily due to the increase in the Group’s revenue for the Period as a result of the increase in orders of our products.

#### *Gross profit and gross profit margin*

The Group’s gross profit increased by approximately RMB5.3 million, from approximately RMB48.6 million for the nine months ended 30 September 2018 to approximately RMB53.9 million for the nine months ended 30 September 2019. The increase in gross profit was principally due to (i) increase in sales to certain overseas market, especially in India, Kenya and United Arab Emirates, which the sales increased by approximately 24.6%, 50.0% and 31.0%, respectively, on a period-to-period basis, which generally have higher gross profit margins than other markets; (ii) the decrease in business transactions with certain trading entities with generally lower profit margin; and (iii) the decrease in average cost of chemicals used for our production as the Group utilised higher portion of self-produced printing ink for the printing of its products.

The market conditions of decorative printing materials products remain challenging. The purchase costs of the Group’s key raw materials, including base paper, PVC mould and chemicals continue keeping at high level. As a result, the Group’s gross profit margin during the Period remained tight at 20.5% (nine months ended 30 September 2018: 19.0%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Selling expenses*

Selling expenses mainly comprised of (i) transportation expenses; (ii) wages, salaries and welfare of our sales staff; (iii) travelling and entertainment expenses; (iv) marketing and exhibition expenses; (v) sales commission; and (vi) other selling expenses. The Group's selling expenses for the Period amounted to approximately RMB12.2 million (nine months ended 30 September 2018: approximately RMB12.7 million) and remained relatively stable.

### *Administrative expenses*

The administrative expenses for the Period decreased by approximately RMB0.9 million, or 3.1%, from approximately RMB29.4 million for the nine months ended 30 September 2018 to approximately RMB28.5 million for the Period. The decrease was mainly attributable to the decrease in the employee benefit expenses in relation to the departure of a senior finance personnel in mid-2018 and the increase in capitalisation of costs incurred for the newly lounged research and development projects during the Period.

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

The Group's other income and other gains-net decreased by approximately RMB2.7 million, or 51.9%, from approximately RMB5.2 million for the nine months ended 30 September 2018 to approximately RMB2.5 million for the Period, primarily resulting from the decrease in foreign exchange gain to approximately RMB1.3 million (nine months ended 30 September 2018: RMB3.7 million) due to the depreciation of US dollars against RMB.

### *Finance expenses – net*

The Group's finance expenses-net remained relatively stable, amounted to approximately RMB1.6 million for the Period (nine months ended 30 September 2018: approximately RMB1.6 million).

### *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 RMB12.3 million for the Period as compared to approximately RMB8.7 million for the nine months ended 30 September 2018, representing an increase of approximately 41.4%.

## 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 2019, the Group had 337 employees (31 December 2018: 316 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.

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2019 (31 December 2018: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

As at 30 September 2019, the net proceeds from the Listing have been utilised in the following manner:

	Use of proceeds as allocated in accordance with the Prospectus (Note (1)) RMB'million	Use of proceeds from the Listing Date up to 30 September 2019 RMB'million	Unutilised proceeds as at 30 September 2019 (Note (2)) RMB'million
Enhancement of production capacity	32.0	23.5	8.5
Repayment of bank loans	8.6	8.6	–
General working capital	4.0	4.0	–
<b>Total</b>	<b>44.6</b>	<b>36.1</b>	<b>8.5</b>

*Notes:*

- (1) The actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the Listing.
- (2) The unutilised proceeds of approximately RMB8.5 million have been placed in licensed banks in Hong Kong and PRC. The unutilised proceeds are intended to be used as follows: (i) approximately RMB2.0 million is to be used for the procurement of a solvent recovery equipment, (ii) approximately RMB4.7 million is to be used for building a new production line for lamination of PVC furniture film, and (iii) approximately RMB1.8 million is to be used for reconstructing the existing production lines for the production of decorative paper by eliminating one existing production line and building four new ones (the "Production Lines Replacement"). For the nine months ended 30 September 2019, the Company delayed (i) the procurement of a solvent recovery equipment, and (ii) building a new production line for lamination of PVC furniture film, due to the unexpectedly slow development and growth in the sales of PVC decorative film products. In view of the current market conditions, it is expected that the Company will (i) procure the solvent recovery equipment, and (ii) build a new production line for lamination of PVC furniture film by no later than 31 December 2020. For the Production Lines Replacement, the Company has commenced the reconstructing during the years ended 31 December 2017 and 2018, and the Company withheld certain payment of approximately RMB1.8 million for retention work. It is expected that the payment for the Production Lines Replacement will be made by no later than 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

In view of the recent global economic condition, we see uncertainties and risks clouding around and years ahead. The escalating international tensions on the horizon, including the US-China trade war, 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.

Despite the aforementioned risks and challenges, the growth of the business of the Group remains sound and healthy. The Group's product and brand are in growing popularity and we continued to receive strong purchase orders. During the Period, we have continued our pace in capacity expansion. With the new production lines in place, it not only enhances our production capacity but also provides a better production flexibility for us to cater the need of our customers with special production requirements. It provides a solid foundation for the Group to align the need of the business expansion in the future.

In the face of the rising cost of raw materials, the Group would continue to manage costs and risks. The Group will enhance the profit margins by lowering the costs and increasing the production efficiency. The Group is committed to enhancing our research and development capabilities to optimise our product mix and to improve our production efficiency. The Group would continue to improve our manufacturing technology including plate roller engraving, ink development and impregnation technology. Taking advantages of our well-recognised reputation in the market, the Directors are optimistic to capture the market share of the decorative printing materials industry. The Group would continue to explore new markets and capture the emerging business opportunities.



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 2019 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	5	111,120	92,453	262,455	255,683
Cost of sales		(88,729)	(74,076)	(208,575)	(207,056)
<b>Gross profit</b>		<b>22,391</b>	18,377	<b>53,880</b>	48,627
Selling expenses		(3,667)	(4,346)	(12,168)	(12,712)
Administrative expenses		(11,876)	(10,682)	(28,509)	(29,397)
Other income and other gains – net	6	1,595	2,615	2,477	5,194
<b>Operating profit</b>	7	<b>8,443</b>	5,964	<b>15,680</b>	11,712
Finance income		223	111	446	446
Finance expenses		(881)	(460)	(2,059)	(2,026)
Finance expenses – net		(658)	(349)	(1,613)	(1,580)
<b>Profit before income tax</b>		<b>7,785</b>	5,615	<b>14,067</b>	10,132
Income tax expense	8	(1,195)	(1,170)	(1,794)	(1,423)
<b>Profit for the period</b>		<b>6,590</b>	4,445	<b>12,273</b>	8,709
<b>Profit attributable to:</b>					
– Owners of the Company		6,590	4,445	12,273	8,709
<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	1.32	0.89	2.45	1.74

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>6,590</b>	4,445	<b>12,273</b>	8,709
<b>Other comprehensive expenses</b>				
Items that may be reclassified to profit or loss				
Currency translation differences	(389)	(548)	(375)	(2,898)
<b>Other comprehensive expenses for the period, net of tax</b>	<b>(389)</b>	(548)	<b>(375)</b>	(2,898)
<b>Total comprehensive income for the period</b>	<b>6,201</b>	3,897	<b>11,898</b>	5,811
<b>Total comprehensive income for the period attributable to:</b>				
– Owners of the Company	<b>6,201</b>	3,897	<b>11,898</b>	5,811

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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 2019</b>	<b>4,253</b>	<b>99,575</b>	<b>68,708</b>	<b>172,536</b>
<b>Comprehensive income</b>				
Profit for the period	-	-	12,273	12,273
<b>Other comprehensive income</b>				
Currency translation differences	-	(375)	-	(375)
<b>Total comprehensive income</b>	<b>-</b>	<b>(375)</b>	<b>12,273</b>	<b>11,898</b>
<b>Transactions with owners in their capacity as owners</b>				
Appropriation to statutory reserves	-	1,289	(1,289)	-
<b>Balance at 30 September 2019</b>	<b>4,253</b>	<b>100,489</b>	<b>79,692</b>	<b>184,434</b>

The notes on pages 12 to 17 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 2019 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 2018, 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 2018, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2019.

#### *New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period, and the Group has applied the simplified transition approach and has not restate comparative amounts as a result of adopting HKFRS 16 Leases.

HKFRS 16 results 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.

However at the reporting date, the Group has no non-cancellable operating lease commitments.

The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

### 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 2018.



## 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:

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
PRC	<b>65,899</b>	54,425	<b>151,685</b>	146,217
Pakistan	<b>9,286</b>	17,048	<b>38,875</b>	54,905
India	<b>6,202</b>	4,245	<b>14,723</b>	11,793
United Arab Emirates	<b>1,428</b>	2,552	<b>5,462</b>	4,217
Kenya	<b>3,613</b>	2,240	<b>8,374</b>	5,570
Thailand	<b>1,589</b>	2,509	<b>4,620</b>	6,079
Other countries	<b>23,103</b>	9,434	<b>38,716</b>	26,902
	<b>111,120</b>	92,453	<b>262,455</b>	255,683

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	206	776	1,040	1,253
Rental income	24	24	64	72
Government grants income including amortisation of deferred government grants	37	–	91	116
Foreign exchange difference, net	1,328	1,758	1,282	3,706
Others	–	57	–	47
	<b>1,595</b>	2,615	<b>2,477</b>	5,194

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Operating items</b>				
Impairment losses of trade and other receivables	<b>528</b>	481	<b>1,766</b>	1,121
Depreciation and amortisation	<b>3,029</b>	1,855	<b>11,112</b>	9,317
Auditor's remuneration – audit service	<b>280</b>	250	<b>840</b>	750

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current income tax	817	1,515	1,879	2,570
Deferred income tax	378	(345)	(85)	(1,147)
	<b>1,195</b>	1,170	<b>1,794</b>	1,423

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 (2018: 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.

	Three months ended 30 September		Nine months ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>6,590</b>	4,445	<b>12,273</b>	8,709
Weighted average number of ordinary shares in issue ('000)	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Basic and diluted earnings per share (RMB cents)	<b>1.32</b>	0.89	<b>2.45</b>	1.74

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 2019 (nine months ended 30 September 2018: 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 23 to the consolidated financial statements for the year ended 31 December 2018.

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 during the Period.



## OTHER INFORMATION

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

As at 30 September 2019, 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 Securities and Futures Ordinance ("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 registered 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

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of shareholding (Note 3)
Mr. Sheng Yingming ("Mr. Sheng") <sup>(Note 1)</sup>	Beneficial owner and interest in controlled corporation	249,940,000 shares	49.99%
Mr. Yu Zemin <sup>(Note 2)</sup>	Interest in controlled corporation	11,250,000 shares	2.25%

*Notes:*

- (1) These 249,940,000 shares comprise (i) 9,990,000 shares held directly by Mr. Sheng; and (ii) 239,950,000 shares 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 the date of this report.

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2019, 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 2019, 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 owner	239,950,000 shares (L)	47.99%
Mr. Sheng	Beneficial owner and interest in controlled corporation	249,940,000 shares (L)	49.99%
Ms. Chen Deqin <sup>(Note 2)</sup>	Interest of spouse	249,940,000 shares (L)	49.99%
Mr. Ren Yunan ("Mr. Ren")	Beneficial owner	58,800,000 shares (L)	11.76%
Ms. Lin Ying <sup>(Note 3)</sup>	Interest of spouse	58,800,000 shares (L)	11.76%

## 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 is interested for the purposes of SFO.

Save as disclosed above, as at 30 September 2019, 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 2019, 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 2019, 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. No incident of non-compliance was noted by the Company during the 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 2019.

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.

### CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Director during the Period and up to the date of this report is set out below:

Mr. Tso Ping Cheong Brian has been appointed as an independent non-executive director of EFT Solutions Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8062), with effect from 11 September 2019; and resigned as an independent non-executive director of Larry Jewelry International Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8351), with effect from 1 September 2019.

## 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 2019

*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