



**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)**

**2020  
FIRST 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 three months ended 31 March 2020 was approximately RMB60.9 million, representing a decrease of approximately 3.5% as compared to the corresponding period in 2019.
- Gross profit for the three months ended 31 March 2020 was approximately RMB12.2 million, representing an increase of approximately 5.2% as compared to the corresponding period in 2019.
- Profit attributable to owners of the Company for the three months ended 31 March 2020 was approximately RMB0.8 million, while loss attributable to owners of the Company was approximately RMB0.3 million for the three months ended 31 March 2019.
- Basic earnings per share for the three months ended 31 March 2020 amounted to approximately RMB0.16 cents while basic loss per share for the three months ended 31 March 2019 amounted to approximately RMB0.07 cents.
- The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: 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. The Group served over 500 customers in both domestic and overseas markets for the three months ended 31 March 2020 (the “Period”). 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 RMB60.9 million, representing a decrease of approximately 3.5% over the corresponding period of last year. The decrease in the Group’s revenue was mainly driven by the decrease in revenue from the PRC and Pakistan markets, in particular the sales of decorative paper and melamine impregnated paper during the Period, as a result of the outbreak of coronavirus, which have impact on the Group’s sales activities, particularly in Asia.

#### *Cost of sales*

The cost of sales decreased by approximately RMB2.9 million or approximately 5.6%, from approximately RMB51.6 million for the three months ended 31 March 2019 to approximately RMB48.7 million for the Period, was primarily due to the decrease in the Group’s revenue as a result of the slight reduction in orders of our products in light of the weakened market condition during the Period.

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

The Group’s gross profit slightly increased by approximately RMB0.6 million, or approximately 5.2%, from approximately RMB11.6 million for the three months ended 31 March 2019 to approximately RMB12.2 million for the Period, primarily due to the decrease in production costs, of which mainly consisting of printing material costs and chemical costs. As a result of the decrease in production costs, the Group’s gross profit margin slightly increased to 20.0% during the Period (three months ended 31 March 2019: 18.3%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Selling expenses*

The Group's selling expenses increased by approximately RMB0.2 million or 5.9% from approximately RMB3.4 million for the three months ended 31 March 2019 to approximately RMB3.6 million for the Period. The increase was primarily attributable to the increase in the staff costs and partially offset by the decrease in travelling and entertainment expenses, and sales commission.

### *Administrative expenses*

The administrative expenses for the Period increased by approximately RMB0.4 million or 5.5% from approximately RMB7.3 million for the three months ended 31 March 2019 to approximately RMB7.7 million for the Period. The increase was mainly attributable to the increase in the staff costs and partially offset by the decrease in transportation and entertainment expenses.

### *Other income and other gains/(losses) – net*

The Group's other income and other gains (losses) – net increased by approximately RMB1.5 million or 258.5% from approximately RMB0.6 million of net losses for the three months ended 31 March 2019 to approximately RMB0.9 million of net gains for the Period, primarily resulting from the increase in foreign exchange gain to approximately RMB0.7 million for the Period (three months ended 31 March 2019: foreign exchange loss of RMB1.0 million) due to the appreciation of US dollars against RMB.

### *Finance expenses – net*

The Group's finance expenses – net decreased by approximately RMB0.1 million or 12.5% from approximately RMB0.8 million for the three months ended 31 March 2019 to approximately RMB0.7 million for the Period. This was primarily due to the increase in capitalized amount of interest in borrowings and slight decrease in bank service charges during the Period.

### *Profit/(loss) 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 RMB0.8 million for the Period as compared to a loss of approximately RMB0.3 million for the three months ended 31 March 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the People's Republic of China (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 fluctuation 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 31 March 2020, the Group had 393 employees (31 December 2019: 360 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.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 12 September 2019, an indirect wholly-owned subsidiary of the Company, entered into the site formation contract (the "Site Formation Contract") in relation to the site formation and retaining wall works at the total consideration of RMB6,503,345 (equivalent to approximately HK\$7,238,223). The site formation and retaining wall works under the Site Formation Contract was fully completed.

On 20 December 2019, an indirect wholly-owned subsidiary of the Company, entered into the construction contract (the "Construction Contract") in relation to the construction of the new factory premises, office building and staff quarters at the aggregate consideration of RMB54,000,000 (equivalent to approximately HK\$60,102,000), subject to adjustments in connection with changes (if any) in the relevant construction works.

Further details of the Site Formation Contract and the Construction Contract are set out in the circular of the Company dated 14 February 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, there was no other significant investments held by the Company as at 31 March 2020, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2020 (31 December 2019: Nil).

### PROSPECTS

The global economy remained uncertain as the coronavirus outbreak poses more challenges and risks clouding around to the global economy. The Group's first priority is to protect the health and safety of its employees and implementing all necessary measures to avoid the risk of contamination, while allowing the continuity of production and service to its customers. Therefore the business of the Group remains stable and healthy during the Period.

The Group's product and brand are kept in growing popularity and we receive purchase orders continuously. During the Period, we have continued our pace in capacity expansion and with the construction of a new factory premises, which is expected to be completed by end of 2020, apart from enhancing our production capacity and provision of a better production flexibility to cater for the need of special production requirements, the relocation would also enable the Group to centralise the management and production process at one site, which will allow us to save the costs and time in relation to management, transportation, and maintenance and repairs accordingly. It will improve production efficiency and provide a solid foundation for the Group in alignment with the need of the business expansion in the future.

Given the unprecedented level of uncertainty, accurate impacts of the coronavirus outbreak cannot be quantified at the moment for the first half nor for the full year. It will depend on many different factors including the duration of the pandemic and the prevention and support measures adopted by local governments.

In the face of the competitive pricing of products and rising cost of raw materials, the Group would continue to manage pricing and costs. 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 optimising our product mix, and to improving 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 about capturing more the market share in 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 ended 31 March 2020 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	<b>60,860</b>	63,123
Cost of sales		<b>(48,698)</b>	(51,558)
<b>Gross profit</b>		<b>12,162</b>	11,565
Selling expenses		<b>(3,656)</b>	(3,440)
Administrative expenses		<b>(7,655)</b>	(7,253)
Other income and other gains/(losses) – net	6	<b>900</b>	(568)
<b>Operating profit</b>	7	<b>1,751</b>	304
Finance income		<b>88</b>	101
Finance expenses		<b>(789)</b>	(947)
Finance expenses – net		<b>(701)</b>	(846)
<b>Profit/(loss) before income tax</b>		<b>1,050</b>	(542)
Income tax (expenses)/credit	8	<b>(259)</b>	197
<b>Profit/(loss) for the period</b>		<b>791</b>	(345)
<b>Profit/(loss) attributable to</b> – Owners of the Company		<b>791</b>	(345)
<b>Earnings/(loss) per share for profit/(loss)</b> <b>attributable to owners of the Company</b> <b>for the period</b>		<b>RMB cents</b>	<b>RMB cents</b>
– Basic and diluted	9	<b>0.16</b>	(0.07)



**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2020

	<b>Three months ended 31 March</b>	
	<b>2020</b> <b>RMB'000</b> <b>(unaudited)</b>	2019 <b>RMB'000</b> <b>(unaudited)</b>
<b>Profit/(loss) for the period</b>	<b>791</b>	(345)
<b>Other comprehensive income</b> <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>154</b>	81
<b>Other comprehensive income for the period, net of tax</b>	<b>154</b>	81
<b>Total comprehensive income/(expenses) for the period</b>	<b>945</b>	(264)
<b>Total comprehensive income/(expenses) for the period attributable to:</b>		
– Owners of the Company	<b>945</b>	(264)

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to equity owners of the Company			
	Share capital	Other reserves	Retained earnings	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
<b>Balance at 1 January 2019</b>	4,253	99,575	68,708	172,536
<b>Comprehensive expenses</b>				
Loss for the period	-	-	(345)	(345)
<b>Other comprehensive income</b>				
Currency translation differences	-	81	-	81
<b>Total comprehensive expenses</b>	-	81	(345)	(264)
<b>Balance at 31 March 2019</b>	4,253	99,656	68,363	172,272
<b>Balance at 1 January 2020</b>	<b>4,253</b>	<b>99,689</b>	<b>87,949</b>	<b>191,891</b>
<b>Comprehensive income</b>				
Profit for the period	-	-	791	791
<b>Other comprehensive income</b>				
Currency translation differences	-	154	-	154
<b>Total comprehensive income</b>	-	154	791	945
<b>Balance at 31 March 2020</b>	<b>4,253</b>	<b>99,843</b>	<b>88,740</b>	<b>192,836</b>

The notes on pages 10 to 14 are an integral part of these 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 three months ended 31 March 2020 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 annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

### 3 Significant accounting policies

The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group's annual audited financial statements for the year ended 31 December 2019, 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 HKFRSs effective for the financial year ending 31 December 2020.

The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 2019.

### 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. 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 31 March</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
PRC	<b>30,347</b>	31,661
Pakistan	<b>14,509</b>	16,788
India	<b>4,273</b>	3,626
The United Arab Emirates	<b>3,415</b>	2,069
Thailand	<b>779</b>	1,055
Other countries	<b>7,537</b>	7,924
	<b>60,860</b>	63,123

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6 Other income and other gains/(losses) – net

	Three months ended 31 March	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	180	398
Rental income	16	16
Government grants income including amortisation of deferred government grants	26	26
Foreign exchange gain/(loss), net	660	(1,008)
Others	18	–
	<b>900</b>	<b>(568)</b>

### 7 Operating profit

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

	Three months ended 31 March	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Operating items</b>		
Auditors' remuneration – audit service	300	281
Impairment charges for receivables	–	(81)
Depreciation and amortisation	3,387	3,771

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8 Income tax

	Three months ended 31 March	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current income tax	225	222
Deferred income tax	34	(419)
Total tax expenses/(credit)	259	(197)

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 (three months ended 31 March 2019: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	Three months ended 31 March	
	2020 (unaudited)	2019 (unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	791	(345)
Weighted average number of ordinary shares in issue ('000)	500,000	500,000
Basic and diluted earnings/(loss) per share (RMB cents)	0.16	(0.07)

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 three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

## **OTHER INFORMATION**

### **SHARE OPTION SCHEME**

The Company has adopted a 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 2019.

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 31 March 2020, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of shareholding <small>(Note 2)</small>
Mr. Sheng Yingming ("Mr. Sheng") <small>(Note 1)</small>	Beneficial owner and interest in controlled corporation	249,940,000 shares	49.99%
Mr. Tan Chee Kiang	Beneficial owner	15,000,000 shares	3.00%

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) The percentage is calculated on the basis of 500,000,000 shares in issue at the date of this report.

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

## OTHER INFORMATION

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

So far as was known to the Directors and the chief executives of the Company, as at 31 March 2020, 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:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of ordinary shares held (Note 1)</b>	<b>Percentage of shareholding</b>
Bright Commerce	Beneficial interest	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	Beneficial interest	58,800,000 shares (L)	11.76%
Ms. Lin Ying <sup>(Note 3)</sup>	Interest of spouse	58,800,000 shares (L)	11.76%

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 Yunan. She is deemed, or taken to be, interested in all shares in which Mr. Ren Yunan is interested for the purposes of SFO.

## OTHER INFORMATION

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

## 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.

## OTHER INFORMATION

### 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 three months ended 31 March 2020.

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.

### 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.

## OTHER INFORMATION

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, Executive Director and Chief Executive Officer*

Hong Kong, 13 May 2020

*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. Tan Chee Kiang

*Independent Non-executive Directors*

Mr. Ma Lingfei

Ms. Huang Yueyuan

Mr. Tso Ping Cheong Brian