



SHENGLONG
盛 龙

**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)

THIRD QUARTERLY REPORT 2020



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 2020 was approximately RMB244.9 million, representing a decrease of approximately 6.7% as compared to the corresponding period in 2019.
- Gross profit for the nine months ended 30 September 2020 was approximately RMB55.9 million, representing an increase of approximately 3.7% as compared to the corresponding period in 2019.
- Profit attributable to owners of the Company for the nine months ended 30 September 2020 was approximately RMB5.7 million, representing a decrease of approximately 53.2% as compared to the corresponding period in 2019.
- Basic earnings per share for the nine months ended 30 September 2020 amounted to approximately RMB1.15 cents (nine months ended 30 September 2019: approximately RMB2.45 cents).
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively the “Group”) is 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 nine months ended 30 September 2020 (the “Period”). The overseas sales reached over 40 countries in Asia, North America, South America, Europe, Oceania and Africa.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the Period was approximately RMB244.9 million, representing a decrease of approximately 6.7% over the corresponding period in 2019 (nine months ended 30 September 2019: approximately RMB262.4 million). The decrease in the Group’s revenue was mainly driven by the decrease in revenue from overseas markets during the Period, as a result of the outbreak of COVID-19, affecting the Group’s sales activities, particularly in Asia.

Cost of sales

The cost of sales decreased by approximately RMB19.6 million, or approximately 9.4%, from approximately RMB208.6 million for the nine months ended 30 September 2019 to approximately RMB189.0 million for the Period, was primarily due to the decrease in the Group’s revenue for the Period as a result of the reduction in orders of our products in light of the weakened market demand.

Gross profit and gross profit margin

The Group’s gross profit slightly increased by approximately RMB2.0 million, or approximately 3.7%, from approximately RMB53.9 million for the nine months ended 30 September 2019 to approximately RMB55.9 million for the Period. The gross profits increased despite the Group’s revenue decreased by approximately RMB17.5 million for the Period which was primarily due to the decrease in production costs as the Group keeps in enhancing its production efficiency. As a result of the decrease in production costs, the Group’s gross profit margin slightly increased to 22.8% during the Period (nine months ended 30 September 2019: 20.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by approximately RMB2.0 million or 16.6% from approximately RMB12.2 million for the nine months ended 30 September 2019 to approximately RMB14.2 million for the Period. The increase was primarily attributable to the increase in licensing fee incurred from the increase in the sale of relevant licensed products and the increase in entertainment expenses for facilitating sales order.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB2.0 million, or 7.1%, from approximately RMB28.5 million for the nine months ended 30 September 2019 to approximately RMB30.5 million for the Period. The increase was mainly attributable to the slight increase in the staff costs due to the organizational restructuring and the increase in research and development costs for developing new products.

Other income and other gains – net

The Group's other income and other gains – net decreased by approximately RMB2.4 million, or 98.3%, from approximately RMB2.5 million for the nine months ended 30 September 2019 to approximately RMB0.1 million for the Period, primarily resulting from the foreign exchange loss due to the depreciation of US dollars against RMB and the fixed assets written off derived during the Period.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB2.4 million or 146.2% from approximately RMB1.6 million for the nine months ended 30 September 2019 to approximately RMB4.0 million for the Period. This was primarily due to the increase in interest expenses as the amount of bank borrowings increased, decrease in capitalized amount of interest and the slight decrease in bank interest income during the Period. The increase in bank borrowings is mainly for financing the business expansion of the Group such as construction of the new factory premises.

Profit attributable to owners of the Company

As a result of the foregoings, the Group recorded a profit attributable to owners of the Company of approximately RMB5.7 million for the Period as compared to approximately RMB12.3 million for the nine months ended 30 September 2019, representing a decrease of approximately 53.2%.

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 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 30 September 2020, the Group had 364 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 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. The construction project of the Construction Contract had been completed more than 50% as at 30 September 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

On 14 October 2020, an indirect wholly-owned subsidiary of the Company, entered into the formal agreement (the “Formal Agreement”) in relation to the purchase of an office premise to be constructed and situated in the PRC in the consideration of RMB16,326,306, subject to adjustments in accordance with the actual measured built area to be confirmed by the local authority.

Further details of the Formal Agreement are set out in the announcement of the Company dated 14 October 2020.

Save as disclosed above, there was no other significant investments held by the Company as at 30 September 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 30 September 2020 (31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

As at 30 September 2020, the net proceeds from the listing of the shares of the Company on 17 July 2017 on GEM at the Stock Exchange (the "Listing") had been fully utilised in the following manner:

	Use of proceeds as allocated in accordance with the prospectus of the Company dated 30 June 2017 ^(Note) RMB'million	Use of proceeds from the Listing date up to 30 September 2020 RMB'million	Unutilised proceeds as at 30 September 2020 RMB'million
Enhancement of production capacity	32.0	32.0	–
Repayment of bank loans	8.6	8.6	–
General working capital	4.0	4.0	–
Total	44.6	44.6	–

Note: The actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Despite the global economy remaining uncertain and posing more challenges as the COVID-19 pandemic spreading worldwide, the business of the Group remains healthy and our revenue for the Period only recorded a slightly drop of 6.7% over the corresponding period in 2019.

The Group maintains our products and brands to be competitive and we receive purchase orders continuously. During the Period, we have continued our pace in capacity expansion and the construction of the new factory premises, including the main office building block and furnished staff quarters, which are expected to be completed in early of 2021. Following the relocation, it would enable the Group to optimize the management and production process, it will further improve our production quality and operating efficiency accordingly. In order to enhance our production capacity and flexibility, we have upgraded our production equipment by investing in fast speed printing machines with computerized color matching facility. We are embarking in Industry 4.0 lean manufacturing concept. It will also improve production efficiency and provide a solid foundation for the Group in alignment with the need of the business expansion in the future.

In the face of the competitive pricing of products, 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. 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 and nine months ended 30 September 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	104,824	111,120	244,908	262,455
Cost of sales		(79,656)	(88,729)	(189,010)	(208,575)
Gross profit		25,168	22,391	55,898	53,880
Selling expenses		(6,190)	(3,667)	(14,188)	(12,168)
Administrative expenses		(12,662)	(11,876)	(30,529)	(28,509)
Other income and other gains – net	6	(729)	1,595	43	2,477
Operating profit	7	5,587	8,443	11,224	15,680
Finance income		136	223	257	446
Finance expenses		(2,587)	(881)	(4,228)	(2,059)
Finance expenses – net		(2,451)	(658)	(3,971)	(1,613)
Profit before income tax		3,136	7,785	7,253	14,067
Income tax expense	8	(752)	(1,195)	(1,507)	(1,794)
Profit for the period		2,384	6,590	5,746	12,273
Profit attributable to:					
– Owners of the Company		2,384	6,590	5,746	12,273
Earnings per share for profit attributable to owners of the Company for the period		RMB cents	RMB cents	RMB cents	RMB cents
– Basic and diluted	9	0.48	1.32	1.15	2.45

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Profit for the period	2,384	6,590	5,746	12,273
Other comprehensive expenses Items that may be reclassified to profit or loss				
Currency translation differences	665	(389)	(154)	(375)
Other comprehensive expenses for the period, net of tax	665	(389)	(154)	(375)
Total comprehensive income for the period	3,049	6,201	5,592	11,898
Total comprehensive income for the period attributable to:				
– Owners of the Company	3,049	6,201	5,592	11,898

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	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)
Balance at 1 January 2019	4,253	99,575	68,708	172,536
Comprehensive income				
Profit for the period	-	-	12,273	12,273
Other comprehensive income				
Currency translation differences	-	(375)	-	(375)
Total comprehensive income	-	(375)	12,273	11,898
Balance at 30 September 2019	4,253	99,200	80,981	184,434

	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)
Balance at 1 January 2020	4,253	99,689	87,949	191,891
Comprehensive income				
Profit for the period	-	-	5,746	5,746
Other comprehensive income				
Currency translation differences	-	(154)	-	(154)
Total comprehensive income	-	(154)	5,746	5,592
Balance at 30 September 2020	4,253	99,535	93,695	197,483

The notes on pages 12 to 18 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 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 consolidated financial information for the year ended 31 December 2019, 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 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 amendments to HKFRSs effective for the financial year ending 31 December 2020.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The new or amended 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 2019.

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
PRC	74,662	65,899	159,727	151,685
Pakistan	14,118	9,286	34,560	38,875
India	4,328	6,202	10,103	14,723
United Arab Emirates	790	1,428	6,102	5,462
Kenya	3,440	3,613	5,114	8,374
Thailand	505	1,589	2,056	4,620
Other countries	6,981	23,103	27,246	38,716
	104,824	111,120	244,908	262,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	617	206	1,240	1,040
Rental income	37	24	85	64
Government grants income including amortisation of deferred government grants	49	37	103	91
Foreign exchange difference, net	(1,300)	1,328	(671)	1,282
Fixed assets write-off	(179)	–	(800)	–
Others	47	–	86	–
	(729)	1,595	43	2,477

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Operating items				
Impairment losses of trade and other receivables	500	528	1,088	1,766
Depreciation and amortisation	4,546	3,029	12,472	11,112
Auditor's remuneration – audit service	187	280	820	840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current income tax	608	817	1,477	1,879
Deferred income tax	144	378	30	(85)
	752	1,195	1,507	1,794

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 (2019: 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	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit attributable to owners of the Company (RMB'000)	2,384	6,590	5,746	12,273
Weighted average number of ordinary shares in issue ('000)	500,000	500,000	500,000	500,000
Basic and diluted earnings per share (RMB cents)	0.48	1.32	1.15	2.45

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 2020 (nine months ended 30 September 2019: 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 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 30 September 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 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 2)
Mr. Sheng Yingming ("Mr. Sheng") ^(Note 1)	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 as at 30 September 2020.

OTHER INFORMATION

Save as disclosed above, as at 30 September 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.

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

As at 30 September 2020, 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 ^(Note 1)	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 ^(Note 2)	Interest of spouse	249,940,000 shares (L)	49.99%
Mr. Ren Yunan	Beneficial owner	34,300,000 shares (L)	6.86%
Ms. Lin Ying ^(Note 3)	Interest of spouse	34,300,000 shares (L)	6.86%

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

Save as disclosed above, as at 30 September 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 30 September 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.

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 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.

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 not been audited by the auditors of the Company but 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, Chief Executive Officer and Executive Director

Hong Kong, 9 November 2020

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

Executive Directors

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

Mr. Tan Chee Kiang

Mr. Fang Xu

Ms. Sheng Sainan

Independent Non-executive Directors

Mr. Ma Lingfei

Mr. Tso Ping Cheong Brian

Ms. Huang Yueyuan