



SHENGLONG
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**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)



FIRST
QUARTERLY
REPORT
2021

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

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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 2021 (the “Period”) was approximately RMB100.0 million, representing an increase of approximately 64.3% as compared to the three months ended 31 March 2020 (the “Corresponding Period”).
- Gross profit for the Period was approximately RMB21.2 million, representing an increase of approximately 74.5% as compared to the Corresponding Period.
- Profit attributable to owners of the Company for the Period was approximately RMB3.1 million, representing an increase of approximately 287.1% as compared to the Corresponding Period.
- Basic earnings per share for the Period amounted to approximately RMB0.61 cents while basic earnings per share for the Corresponding Period amounted to approximately RMB0.16 cents.
- The Board does not recommend the payment of any interim dividend for the Period (the Corresponding Period: 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 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 RMB100.0 million, representing a significant increase of approximately 64.3% over the Corresponding Period. The increase in the Group’s revenue was driven by the increase in revenue from the PRC and overseas markets. The demand from PRC customers remained strong and the Group derived a significant increase of approximately 94.1% of the revenue from the PRC market over the Corresponding Period. The revenue from the overseas market also recorded an increase of approximately 34.6% over the Corresponding Period as the economy in the Group’s major overseas markets gradually recovered from the adverse impact of the novel coronavirus (the “COVID-19”). The increase in revenue was mostly derived from the sales of major products including decorative paper, melamine impregnated paper and PVC flooring film during the Period.

Cost of sales

The cost of sales increased by approximately RMB30.0 million or approximately 61.7%, from approximately RMB48.7 million for the Corresponding Period to approximately RMB78.7 million for the Period, which was primarily due to the increase in the Group’s revenue during the Period.

Gross profit and gross profit margin

The Group’s gross profit significantly increased by approximately RMB9.1 million, or approximately 74.5%, from approximately RMB12.1 million for the Corresponding Period to approximately RMB21.2 million for the Period, primarily due to the corresponding increase in the Group’s revenue during the Period. The Group’s gross profit margin for the Period slightly increased to approximately 21.2% (the Corresponding Period: 20.0%), principally due to the increase in capacity utilisation derived from the increase in production volume and the Group kept on enhancing its resources management and production efficiency during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by approximately RMB3.0 million or 81.5% from approximately RMB3.6 million for the Corresponding Period to approximately RMB6.6 million for the Period. The increase was primarily attributable to the increase in transportation, travelling, entertainment, marketing and exhibition expenses, licensing fee and sales commission which is in line with the significant increase in revenue during the Period.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB2.5 million or 33.4% from approximately RMB7.7 million for the Corresponding Period to approximately RMB10.2 million for the Period. The increase was mainly attributable to 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 increased by approximately RMB0.1 million or 5.2% from approximately RMB0.9 million of net gains for the Corresponding Period to approximately RMB1.0 million of net gains for the Period, primarily resulting from the increase in income from sales of scrap and surplus materials.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB1.0 million or 143.2% from approximately RMB0.7 million for the Corresponding Period to approximately RMB1.7 million for the Period. This was primarily due to (i) the increase in interest expenses due to the increase in the amount of bank borrowings; and (ii) the decrease in the amount of capitalisation of borrowings costs.

Income tax expense

The income tax expense increased from approximately RMB0.3 million for the Corresponding Period to approximately RMB0.6 million for the Period, which was due to the increase in profit before income tax.

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 RMB3.1 million for the Period as compared to a profit of approximately RMB0.8 million for the Corresponding Period.



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, 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 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 2021, the Group had 426 employees (31 December 2020: 403 employees), including the executive Directors. Remuneration is determined with reference to market norms and the performance, qualification and experience of individual employees.

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 a 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, subject to adjustments in connection with changes (if any) in the relevant construction works. More than 80% of the construction project referred to in the Construction Contract had been completed as at 31 March 2021. Further details of the Construction Contract are set out in the circular of the Company dated 14 February 2020.

On 14 October 2020, an indirect wholly-owned subsidiary of the Company entered into a 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 relevant local authority. Further details of the Formal Agreement are set out in the announcement of the Company dated 14 October 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, there were no other significant investments held by the Company as at 31 March 2021, 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 2021 (31 December 2020: Nil).

PROSPECTS

As a number of countries worldwide began to launch coronavirus vaccination programmes since the end of year 2020 and the COVID-19 pandemic has gradually eased. The global economy is gradually recovering and demand for decorative printing materials products remains strong, especially in the PRC. The Group's revenue derived from its PRC customers for the Period recorded a significant increase of approximately 94.1% over the Corresponding Period. The Group is optimistic in maintaining the continuous growth in revenue throughout year 2021.

During the Period, the Group intensified its resources in developing new products. The Group will continue to improve its manufacturing technology, so as to enhance its production capacity and flexibility. The Group will make use of the upgraded and automated facility, reinforce the planning in the production processes and utilise the resources efficiently to better control its cost of production. All these measures provide a solid foundation and offer favourable conditions in alignment with the need of business expansion.

Starting from the end of year 2020, the prices of production materials, including the raw papers and chemicals, were boosted up frequently, which has put considerable pressure on the group's profits, the Group will closely monitor the product pricing and costing in order to maximise the profit margins and seize the opportunity to enlarge the market share derived by the employment of certain pricing strategies. The Group will keep on enhancing its resources management and production efficiency, so as to maintain its profitability.

In year 2021, the Group is committed to increase its overseas sales workforce. The Group will further expand its marketing and sales teams and sub-centers globally, to achieve its annual sales growth target. The Group will also maintain its focus on sustainable strategic customers and the growth of domestic markets in the PRC. Taking advantages of the well-recognised reputation in the market, the Directors are optimistic on the potential of snapping up more market shares in the decorative printing materials industry. The Group will continue to explore new markets and capture emerging business opportunities.



The board of directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the Period together with the comparative figures for the Corresponding Period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months ended 31 March 2021

		Three months ended 31 March	
Notes	2021	2020	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Revenue	99,965	60,860	
Cost of sales	(78,739)	(48,698)	
Gross profit	21,226	12,162	
Selling expenses	(6,634)	(3,656)	
Administrative expenses	(10,214)	(7,655)	
Other income and other gains – net	947	900	
Operating profit	5,325	1,751	
Finance income	113	88	
Finance expenses	(1,818)	(789)	
Finance expenses – net	(1,705)	(701)	
Profit before income tax	3,620	1,050	
Income tax expenses	(558)	(259)	
Profit for the Period	3,062	791	
Profit attributable to			
– Owners of the Company	3,062	791	
Earnings per share for profit attributable to owners of the Company for the Period			
– Basic and diluted	RMB cents 0.61	RMB cents 0.16	



CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the Period	3,062	791
Other comprehensive income/(expenses) <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(190)	154
Other comprehensive income/(expenses) for the Period, net of tax	(190)	154
Total comprehensive income for the Period	2,872	945
Total comprehensive income for the Period attributable to:		
– Owners of the Company	2,872	945



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	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)
Balance at 1 January 2020	4,253	99,689	87,949	191,891
Comprehensive income				
Profit for the Period	-	-	791	791
Other comprehensive income				
Currency translation differences	-	154	-	154
Total comprehensive income	-	154	791	945
Balance at 31 March 2020	4,253	99,843	88,740	192,836
Balance at 1 January 2021	4,253	99,923	97,221	201,397
Comprehensive income				
Profit for the Period	-	-	3,062	3,062
Other comprehensive income				
Currency translation differences	-	(190)	-	(190)
Total comprehensive income	-	(190)	3,062	2,872
Balance at 31 March 2021	4,253	99,733	100,283	204,269

The notes on pages 10 to 14 are an integral part of the condensed consolidated financial statements.



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 P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is Room 3201, 32/F, Alexandra House, 18 Chater Road, Central, Hong Kong.

The Company is an investment holding company. The Group is 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 unaudited condensed consolidated financial statements for the Period has been prepared in compliance with the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2020, 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 the preparation of the Group’s annual audited financial statements for the year ended 31 December 2020, save 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 2021.

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 2021. 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 the unaudited condensed financial statements requires the 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 statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.

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, the management considers there being only one operating segment for the Group as per the requirements of HKFRS 8 "Operating Segments".

During the Period, all revenue was generated from sales of goods and all non-current assets were located in PRC.

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

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC	58,892	30,347
Pakistan	14,137	14,509
Kenya	2,140	325
India	8,128	4,273
Malaysia	1,791	977
Other countries	14,877	10,429
	99,965	60,860



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income from sales of scrap and surplus materials	571	180
Rental income	16	16
Government grants income including amortisation of deferred government grants	26	26
Foreign exchange gain, net	304	660
Others	30	18
	947	900

7 Operating profit

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

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Operating items		
Auditors' remuneration – audit service	175	300
Depreciation and amortisation	4,148	3,387



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Income tax

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current income tax	543	225
Deferred income tax	15	34
Total tax expenses	558	259

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 certificate 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 (the Corresponding Period: 15%).

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong was made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (the Corresponding Period: 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 31 March	
	2021 (unaudited)	2020 (unaudited)
Profit attributable to owners of the Company (RMB'000)	3,062	791
Weighted average number of ordinary shares in issue ('000)	500,000	500,000
Basic and diluted earnings per share (RMB cents)	0.61	0.16

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

10 Dividends

The Board did not recommend the payment of any interim dividend for the Period (the Corresponding Period: Nil).



OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 June 2017 (the “Share Option Scheme”). The principal terms of the Share Option Scheme are summarised in note 23 to the consolidated financial statements for the year ended 31 December 2020.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by 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 has 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 2021, 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 5.68 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	259,440,000 shares	51.89%
Mr. Tan Chee Kiang	Beneficial owner	30,000,000 shares	6.00%

Notes:

- (1) These 259,440,000 shares comprise (i) 19,490,000 shares directly held 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 2021, 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 5.68 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 2021, the following persons/entities (not being a 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 interest	239,950,000 shares (L)	47.99%
Mr. Sheng	Beneficial owner and interest in controlled corporation	259,440,000 shares (L)	51.89%
Ms. Chen Deqin ^(Note 2)	Interest of spouse	259,440,000 shares (L)	51.89%
Mr. Tan Chee Kiang	Beneficial interest	30,000,000 shares (L)	6.00%
Ms. Tay Lee Shia ^(Note 3)	Interest of spouse	30,000,000 shares (L)	6.00%

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. Tay Lee Shia is the spouse of Mr. Tan Chee Kiang. She is deemed, or taken to be, interested in all shares in which Mr. Tan Chee Kiang is interested for the purposes of SFO.



OTHER INFORMATION

Save as disclosed above, as at 31 March 2021, 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 Directors 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 2021, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had 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 5.68 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 and Corporate Governance Report 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 CG Code throughout the Period.

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. Yet both positions in the Group are currently held by Mr. Sheng. Mr. Sheng has been primarily responsible for overseeing the Group's overall management and strategic development of the Group and major decision-making of the Group since July 1993. Taking into account the continuation of management and the implementation of business strategies, the Directors consider that it is most suitable for Mr. Sheng to hold both the positions of chief executive officer and chairman of the Board and the present arrangements are beneficial and in the interests of the Company and the shareholders as a whole. Accordingly, the Company has not segregated the roles of chairman of the Board 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 Code Provisions C.3 of the CG Code. The written terms of reference of the audit committee was adopted in compliance with the code provisions of the CG Code. 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, financial control, internal control and risk management systems of the Group and to provide advice and comments on the Group's draft annual reports and accounts, half year reports and quarterly reports 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 2021

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

