



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)



THIRD
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 nine months ended 30 September 2021 (the “Period”) was approximately RMB374.0 million, representing an increase of approximately 52.7% as compared to the nine months ended 30 September 2020 (the “Corresponding Period”).
- Gross profit for the Period was approximately RMB73.1 million, representing an increase of approximately 30.8% as compared to the Corresponding Period.
- Profit attributable to owners of the Company for the Period was approximately RMB11.6 million, representing an increase of approximately 102.0% as compared to the Corresponding Period.
- Basic earnings per share for the Period amounted to approximately RMB2.32 cents while basic earnings per share for the Corresponding Period amounted to approximately RMB1.15 cents.
- The Board does not recommend the payment of any dividend for the Period (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 RMB374.0 million, representing an increase of approximately 52.7% over the Corresponding Period. The increase in the Group’s revenue was driven by the increase in revenue from the People’s Republic of China (the “PRC”) and overseas markets. The demand from PRC customers remained strong and the Group derived an increase of approximately 49.2% of the revenue from the PRC market over the Corresponding Period. The revenue from the overseas markets also recorded an increase of approximately 59.3% 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 RMB111.8 million or approximately 59.2%, from approximately RMB189.0 million for the Corresponding Period to approximately RMB300.8 million for the Period, which was primarily due to increase in the unit prices of production materials and increase in the production volume during the Period. The increase in cost of sales is in line with the increase in the Group’s revenue during the Period.

Gross profit and gross profit margin

The Group’s gross profit increased by approximately RMB17.2 million, or approximately 30.8%, from approximately RMB55.9 million for the Corresponding Period to approximately RMB73.1 million for the Period, primarily due to the corresponding increase in the Group’s revenue during the Period. The unit prices of production materials raised during the Period which increased the production cost of the Group and led to the decrease of the gross profit margin for the Period to approximately 19.6% (the gross profit margin for the Corresponding Period: 22.8%).



MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by approximately RMB10.1 million or 71.2% from approximately RMB14.2 million for the Corresponding Period to approximately RMB24.3 million for the Period. The increase was primarily attributable to the increase in transportation, travelling, marketing and exhibition expenses and sales commission.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB2.3 million or 7.6% from approximately RMB30.5 million for the Corresponding Period to approximately RMB32.8 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 RMB2.0 million or 4,876.7% as compared to the Corresponding Period[#], primarily due to the increase in rental income and government grants during the Period.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB1.3 million or 33.4% as compared to the Corresponding Period[#]. This was primarily due to (i) the increase in interest expenses attributable to the increase in the amount of bank borrowings; and (ii) the decrease in the amount of capitalisation of borrowings costs because the construction of certain buildings and production lines in the PRC has been completed.

Income tax credit/(expense)

The income tax expense slightly decreased from approximately RMB1.5 million for the Corresponding Period to approximately RMB1.3 million for the Period, which was due to the income tax expense provided during the Period and set-off the tax credit derived by the over provision in previous year.

Profit attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately RMB11.6 million for the Period as compared to a profit of approximately RMB5.7 million for the Corresponding Period, representing an increase of approximately 102.0% as compared to the Corresponding Period.

For details, please refer to the unaudited condensed consolidated income statement of this report.



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 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 2021, the Group had 442 employees (31 December 2020: 403 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employee's 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 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 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 2021, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2021 (31 December 2020: Nil).

PROSPECTS

As the COVID-19 pandemic threat 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 49.2% over the Corresponding Period. The Group is optimistic in maintaining continuous growth in revenue throughout the year of 2021.

During the Period, the Group intensified its resources to enhance its operating efficiency. The Group will continue to improve its manufacturing technology, and 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 Group's need of business expansion.

During the Period, the unit prices of production materials, including raw papers and chemicals, were boosted up frequently, which has put considerable pressure on the Group's profits. The instability of raw material prices and potential power restrictions by local regulators will have certain financial and operational impact on the Group's business. The Group will closely monitor the product pricing and costs in order to maximise the profit margins and maintain its profitability. The Group will keep on enhancing its resources management and production efficiency in order to minimise the unfavorable operational impact derived by the governmental policy measures.

In the remaining time of the year, the Group will continue to execute its business plan in order to achieve its annual sales growth target. The Group will maintain its focus on sustainable strategic customers and the growth of domestic markets in the PRC. 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 three months and nine months ended 30 September 2021 together with the comparative figures for the Corresponding Period as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	5	123,304	104,824	373,975	244,908
Cost of sales		(103,537)	(79,656)	(300,833)	(189,010)
Gross profit		19,767	25,168	73,142	55,898
Selling expenses		(7,318)	(6,190)	(24,287)	(14,188)
Administrative expenses		(11,089)	(12,662)	(32,841)	(30,529)
Other income and other gains – net	6	1,743	(729)	2,140	43
Operating profit	7	3,103	5,587	18,154	11,224
Finance income		104	136	410	257
Finance expenses		(2,066)	(2,587)	(5,708)	(4,228)
Finance expenses – net		(1,962)	(2,451)	(5,298)	(3,971)
Profit before income tax		1,141	3,136	12,856	7,253
Income tax credit/(expense)	8	805	(752)	(1,251)	(1,507)
Profit for the period		1,946	2,384	11,605	5,746
Profit attributable to:					
– Owners of the Company		1,946	2,384	11,605	5,746
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	0.39	0.48	2.32	1.15



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

	Three months ended 30 September		Nine months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the period	1,946	2,384	11,605	5,746
Other comprehensive expenses Items that may be reclassified to profit or loss				
Currency translation differences	(190)	665	(102)	(154)
Other comprehensive expenses for the period, net of tax	(190)	665	(102)	(154)
Total comprehensive income for the period	1,756	3,049	11,503	5,592
Total comprehensive income for the period attributable to:				
– Owners of the Company	1,756	3,049	11,503	5,592



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	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

	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 2021	4,253	99,923	97,221	201,397
Comprehensive income				
Profit for the period	-	-	11,605	11,605
Other comprehensive income				
Currency translation differences	-	(102)	-	(102)
Total comprehensive income	-	(102)	11,605	11,503
Balance at 30 September 2021	4,253	99,821	108,826	212,900

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



NOTES TO THE UNAUDITED 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, 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 information for the Period has been prepared to comply with the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 *Significant accounting policies*

The accounting policies used in the preparation of the unaudited condensed consolidated financial information are consistent with those adopted in preparing 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 amendments to HKFRSs effective for the financial year ending 31 December 2021.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the 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 the 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 unaudited 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 2020.



NOTES TO THE UNAUDITED 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".

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC	85,856	74,662	238,304	159,727
Pakistan	12,633	14,118	44,499	34,560
India	5,554	4,328	20,658	10,103
United Arab Emirates	4,389	790	10,491	6,102
Kenya	2,756	3,440	7,123	5,114
Thailand	1,318	505	2,567	2,056
Other countries	10,798	6,981	50,333	27,246
	123,304	104,824	373,975	244,908



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 30 September		Nine months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	722	617	1,462	1,240
Rental income	851	37	899	85
Government grants income including amortisation of deferred government grants	488	49	727	103
Foreign exchange difference, net	92	(1,300)	(568)	(671)
Fixed assets write-off	(420)	(179)	(420)	(800)
Others	10	47	40	86
	1,743	(729)	2,140	43



NOTES TO THE UNAUDITED 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Operating items				
Impairment losses of trade and other receivables	-	500	411	1,088
Depreciation and amortisation	5,787	4,546	14,760	12,472
Auditor's remuneration – audit service	142	187	708	820



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 *Income tax (credit)/expense*

	Three months ended 30 September		Nine months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current income tax	(1,593)	608	(294)	1,477
Deferred income tax	788	144	1,545	30
	(805)	752	1,251	1,507

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 was made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (Corresponding Period: Nil).



NOTES TO THE UNAUDITED 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	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit attributable to owners of the Company (RMB'000)	1,946	2,384	11,605	5,746
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)	0.39	0.48	2.32	1.15

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 dividend for the Period (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 was 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 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 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 <small>(Note 2)</small>
Mr. Sheng Yingming ("Mr. Sheng") <small>(Note 1)</small>	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 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 2021.



OTHER INFORMATION

Save as disclosed above, as at 30 September 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.

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

As at 30 September 2021, 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	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 owner	30,000,000 shares (L)	6.00%
Ms. Tay Lee Shia ^(Note 3)	Interest of spouse	30,000,000 shares (L)	6.00%



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. 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.

Save as disclosed above, as at 30 September 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 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 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.



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 5.68 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.

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 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. Mr. Sheng holds both positions. 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 the chairman of the Board and the present arrangements are beneficial and in the interests of the Company and its 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 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, 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 2021

As at the date of this report, the Directors 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

