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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)

MAJOR TRANSACTION –

CONSTRUCTION CONTRACT

SITE FORMATION CONTRACT

On 12 September 2019, Shenglong Decoration, an indirect wholly-owned subsidiary of the Company, entered into the Site Formation Contract with Zhejiang Zhongda in relation to the site formation and retaining wall works situated at the Land at the Site Formation Consideration of RMB6,600,000 (equivalent to approximately HK\$7,345,800), subject to adjustments in the actual construction works. The Site Formation Consideration was determined after arm's length negotiations between Shenglong Decoration and Zhejiang Zhongda, with reference to (i) the local market conditions, (ii) the scope and complexity of the construction works, and (iii) the material used and the size of the construction project.

CONSTRUCTION CONTRACT

On 20 December 2019 (after trading hours), Shenglong Decoration, an indirect wholly-owned subsidiary of the Company, entered into the Construction Contract with Zhejiang Zhongda in relation to the construction of the Factory Premises, Office Building and Staff Quarters situated at the Land 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 Consideration was determined after arm's length negotiations between Shenglong Decoration and Zhejiang Zhongda, with reference to (i) the local market conditions, (ii) the scope and complexity of the construction works, and (iii) the material used and the size of the construction project.

IMPLICATIONS UNDER THE GEM LISTING RULES

The relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Site Formation Contract are less than 5% and therefore the Site Formation Contract itself is not subject to any disclosure requirements pursuant to Chapter 19 of the GEM Listing Rules. In respect of the Construction Contract, as one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Contract constitutes a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.22 of the GEM Listing Rules, the Site Formation Contract and the Construction Contract shall be aggregated as if they were one transaction, which amounting to a total sum of RMB60,600,000 (equivalent to approximately HK\$67,447,800). As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Site Formation Contract and the Construction Contract exceed 25% but are all less than 100%, the Construction Contract shall constitute a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Company has obtained written approval for the Construction Contract in accordance with Rule 19.44 of the GEM Listing Rules from a closely allied group of Shareholders comprising (i) Mr. Sheng, who is holding 9,990,000 Shares, (ii) Bright Commerce Investment Limited, which is holding 239,950,000 Shares and, (iii) Well Power Ventures Limited, which is holding 11,250,000 Shares respectively, which together are beneficially interested in an aggregate of 261,190,000 Shares, representing approximately 52.23% of the entire issued capital of the Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the transactions under the Construction Contract and no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Construction Contract.

As such, since written approval has been obtained pursuant to Rule 19.44 of the GEM Listing Rules, no general meeting will be convened for the purpose of approving the Construction Contract as permitted under Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, information of the Site Formation Contract and the Construction Contract, will be despatched to the Shareholders on or before 15 January 2020. In order to allow sufficient time to prepare certain information to be included in the circular and considering the intervening holidays during the year-end period, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules regarding the requirement to despatch the circular to the Shareholders within 15 business days after the publication of this announcement. Subject to the granting of such waiver by the Stock Exchange, the circular is expected to be despatched to the Shareholders on or before 14 February 2020. Further announcement(s) regarding the grant of waiver will be made by the Company as and when appropriate.

INTRODUCTION

SITE FORMATION CONTRACT

On 12 September 2019, Shenglong Decoration, an indirect wholly-owned subsidiary of the Company, entered into the Site Formation Contract with Zhejiang Zhongda in relation to the site formation and retaining wall works situated at the Land at the Site Formation Consideration of RMB6,600,000 (equivalent to approximately HK\$7,345,800), subject to adjustments in the actual construction works. The Site Formation Consideration was determined after arm's length negotiations between Shenglong Decoration and Zhejiang Zhongda, with reference to (i) the local market conditions, (ii) the scope and complexity of the construction works, and (iii) the material used and the size of the construction project.

Date: 12 September 2019

Parties:

1. Shenglong Decoration as the employer; and
2. Zhejiang Zhongda as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Site Formation Contract and the date of this announcement, (i) Zhejiang Zhongda and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the GEM Listing Rules); and (ii) the business scope of Zhejiang Zhongda includes but not limited to construction works and municipal public works.

Subject matter: Zhejiang Zhongda shall be responsible for the site formation and retaining wall works on the Land.

Site Formation Consideration: RMB6,600,000 (equivalent to approximately HK\$7,345,800), subject to adjustments in the actual construction works.

Basis of the Site Formation Consideration: The Site Formation Consideration was determined after arm's length negotiations between Shenglong Decoration and Zhejiang Zhongda, with reference to (i) the local market conditions, (ii) the scope and complexity of the construction works, and (iii) the material used and the size of the construction project. Accordingly, the Directors considered that the Site Formation Consideration was fair and reasonable. The Site Formation Consideration would be satisfied by internal resource of the Group.

Construction commencement date: On 15 September 2019

Construction completion date: On 31 December 2019 (subject to actual completion of the construction works)

Payment terms: Payment shall be made by Shenglong Decoration in accordance with the actual construction progress.

As the required works for Site Formation Contract have substantially completed, a sum of RMB6,503,345 (equivalent to approximately HK\$7,238,223) has been paid to Zhejiang Zhongda.

CONSTRUCTION CONTRACT

On 20 December 2019 (after trading hours), Shenglong Decoration, an indirect wholly-owned subsidiary of the Company, entered into the Construction Contract with Zhejiang Zhongda in relation to the construction of the Factory Premises, Office Building and Staff Quarters situated at the Land 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.

Date: 20 December 2019 (after trading hours)

Parties:

1. Shenglong Decoration as the employer; and
2. Zhejiang Zhongda as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) Zhejiang Zhongda and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the GEM Listing Rules); and (ii) the business scope of Zhejiang Zhongda includes but not limited to construction works and municipal public works.

Subject matter:	Zhejiang Zhongda shall be responsible for the construction works of the Factory Premises, Office Building and Staff Quarters situated at the Land.
Consideration:	RMB54,000,000 (equivalent to approximately HK\$60,102,000), subject to adjustments in connection with changes (if any) in the relevant construction works.
Basis of Consideration:	The Consideration was determined after arm's length negotiations between Shenglong Decoration and Zhejiang Zhongda, with reference to (i) the local market conditions, (ii) the scope and complexity of the construction works, and (iii) the material used and the size of the construction project. Accordingly, the Directors consider that the Consideration is fair and reasonable. The Consideration will be satisfied by internal resources and bank loans of the Company.
Construction commencement date:	Expected to be on 25 December 2019
Construction completion date:	Expected to be on 24 December 2020
Payment Terms:	<ol style="list-style-type: none"> 1. 20% of the Consideration, as the prepayment, shall be paid before the commencement of the construction; 2. 50% of the Consideration, shall be paid according to the construction progress every two months; 3. 25% of the Consideration, shall be paid upon passing of inspection of the construction works, handover of the statement of accounts and the relevant audit; and 4. Final payment, 5% of the Consideration, shall be paid after two-year warranty period
Legal Effect:	The Construction Contract shall be effective upon (i) execution by Shenglong Decoration and Zhejiang Zhongda, and (ii) approval from Shareholders as required by the GEM Listing Rules.

INFORMATION ON THE GROUP, SHENGLONG DECORATION AND ZHEJIANG ZHONGDA

The Group

The Group is principally engaged in 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.

Shenglong Decoration

Shenglong Decoration is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business of Shenglong Decoration is the manufacturing and sales of decorative printing materials products.

Zhejiang Zhongda

To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, the business scope of Zhejiang Zhongda includes but not limited to construction works and municipal public works. Zhejiang Zhongda holds the relevant construction qualifications as required under the laws of the PRC for the construction works it undertakes under the Site Formation Contract and the Construction Contract, including, but not limited to, Second Grade Main Contractor for Construction Works* (建築工程施工總承包貳級), Second Grade Main Contractor for Municipal Public Works* (市政公用工程施工總承包貳級), and Second Grade Professional Contractor for Construction Renovation and Decoration Works* (建築裝修裝飾工程專業承包貳級). The Directors believe that Zhejiang Zhongda is qualified under the relevant laws of the PRC to undertake the construction works under the Site Formation Contract and the Construction Contract.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Zhejiang Zhongda and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

In order to create enhanced value to pursue long-term sustainable growth and improve the competitiveness of the Group, the Group intends to build the Factory Premises, Office Building and Staff Quarters situated at the Land. Currently, the Group has two production sites, namely Shangguafan Factory and Yangdai Factory. Upon completion of the Construction Contract, the Group will relocate Shangguafan Factory, which commenced operation in 1996, to the Factory Premises where Yangdai Factory is nearby. It is expected that the relocation will enable the Group to centralise the management and production process at the Land, which will allow us to save the costs and time in relation to management, transportation, and maintenance and repairs accordingly.

Given the fact that the Shangguafan Factory is located at the old city center of Lin'an District, it is expected that there may be a redevelopment plan at the vicinity of the Shangguafan Factory required by the local government in future. In this connection, the Directors consider that the relocation of Shangguafan Factory to the Land would allow us to have sufficient time to streamline the relocation process ahead of the promulgation of the redevelopment plan by the local government.

Furthermore, the Shangguafan Factory has been in operation for more than 20 years, the production capacity, ability and efficiency of which do not catch up with the latest technology and business trend. The Directors believe that the Factory Premises to be built on the Land would allow us to purchase and install the latest-developed production equipment, whereby increasing our production capacity, ability and efficiency in the future.

The Factory Premises will also enhance our customers' confidence on the Group. It is a common practice for our customers, potential or existing, to conduct onsite visit to our factory. The Directors believe that the Factory Premises with brand new design would attract more customers better than an old factory design like the Shangguafan Factory.

The Site Formation Contract and the Construction Contract are consistent with the Group's strategy and will serve as additional growth driver for the Group with continuous enhancement in long-term Shareholders' value.

In view of the above, the Board considers that the terms of the Site Formation Contract and Construction Contract are on normal commercial terms and are fair and reasonable and the entering into of the Site Formation Contract and the Construction Contract are in the interests of the Company and the Shareholders as a whole.

CLOSELY ALLIED GROUP OF SHAREHOLDERS

Name	Number of Shares held	Approximate percentage of shareholding <i>(Note)</i>
Bright Commerce Investment Limited	239,950,000	47.99%
Well Power Ventures Limited	11,250,000	2.25%
Mr. Sheng	9,990,000	1.99%
	261,190,000	52.23%

Note: Based on 500,000,000 Shares in issue as at the date of this announcement.

Bright Commerce Investment Limited, Well Power Ventures Limited and Mr. Sheng constitute a “closely allied group of Shareholders” under Rule 19.45 of the GEM Listing Rules for the reasons below:

1. Bright Commerce Investment Limited is an investment holding company incorporated in the British Virgin Islands and wholly owned by Mr. Sheng;
2. Well Power Ventures Limited is an investment holding company incorporated in the British Virgin Islands and wholly owned by Mr. Yu;
3. Mr. Sheng is an executive Director, the chief executive officer and the chairman of the Board. He founded the Group in July 1993;
4. Mr. Yu, joined the Group in 2009, who is a former executive Director and currently the vice general manager of the Company;
5. Mr. Sheng and Mr. Yu have about a 10 years relationship in managing the Group together as senior management;
6. Mr. Yu became a shareholder of Shenglong Decoration, being the predecessor holding company of the Group prior to the Reorganisation, in 2012;
7. Both Bright Commerce Investment Limited and Well Power Ventures Limited are Shareholders after the Reorganisation and have not disposed any Shares upon Listing;
8. Mr. Sheng and Mr. Yu, whether personally or through their respective holding companies, have voted unanimously on all Shareholders’ resolutions since inception of the Group (other than routine resolutions at annual general meetings); and
9. The Directors consider that both Mr. Sheng’s investment, which is held personally and through Bright Commerce Investment Limited, in the Company and Mr. Yu’s investment, which is held through Well Power Ventures Limited, in the Company are of a long-term and strategic nature and that Mr. Sheng and Mr. Yu have established and will maintain a stable business relationship with each other.

IMPLICATIONS UNDER THE GEM LISTING RULES

The relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Site Formation Contract are less than 5% and therefore the Site Formation Contract itself is not subject to any disclosure requirements pursuant to Chapter 19 of the GEM Listing Rules. In respect of the Construction Contract, as one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Contract constitutes a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.22 of the GEM Listing Rules, the Site Formation Contract and the Construction Contract shall be aggregated as if they were one transaction, which amounting to a total sum of RMB60,600,000 (equivalent to approximately HK\$67,447,800). As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Site Formation Contract and Construction Contract in aggregate exceed 25% but are all less than 100%, the Construction Contract shall constitute a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Company has obtained written approval for the Construction Contract in accordance with Rule 19.44 of the GEM Listing Rules from a closely allied group of Shareholders comprising (i) Mr. Sheng, who is holding 9,990,000 Shares, (ii) Bright Commerce Investment Limited, which is holding 239,950,000 Shares and, (iii) Well Power Ventures Limited which is holding 11,250,000 Shares respectively, which together are beneficially interested in an aggregate of 261,190,000 Shares, representing approximately 52.23% of the entire issued capital of the Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the transactions under the Construction Contract and no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Construction Contract.

As such, since written approval has been obtained pursuant to Rule 19.44 of the GEM Listing Rules, no general meeting will be convened for the purpose of approving the Construction Contract as permitted under Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, information of the Site Formation Contract and the Construction Contract, will be despatched to the Shareholders on or before 15 January 2020. In order to allow sufficient time to prepare certain information to be included in the circular and considering the intervening holidays during the year-end period, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules regarding the requirement to despatch the circular to the Shareholders within 15 business days after the publication of this announcement. Subject to the granting of such waiver by the Stock Exchange, the circular is expected to be despatched to the Shareholders on or before 14 February 2020. Further announcement(s) regarding the grant of waiver will be made by the Company as and when appropriate.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Shenglong Splendecor International Limited (盛龍錦秀國際有限公司) (stock code: 8481), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange
“Consideration”	a sum 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
“Construction Contract”	the Construction Contract dated 20 December 2019 entered into between Shenglong Decoration and Zhejiang Zhongda in relation to, among other things, the construction works of the Factory Premises, Office Building and Staff Quarters situated at the Land
“Director(s)”	director(s) of the Company
“Factory Premises”	the factory premises to be constructed on the Land, with a total construction area of 18,537.20 sq. metres and comprising one block of factory building
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries or where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Land”	The piece of land located at Yangdai Village, Jinnan Street, Lin’an District, Hangzhou City, Zhejiang Province, the PRC
“Listing”	the listing of the Shares on GEM of the Stock Exchange commencing on 17 July 2017

“Mr. Sheng”	Mr. Sheng Yingming, an executive Director, the chairman of the Board, the chief executive officer and a Shareholder
“Mr. Yu”	Mr. Yu Zemin, a former executive Director and currently the vice general manager of the Company
“Office Building”	the office building to be constructed on the Land, with a total construction area of 7,050.32 sq. metres and comprising one block of office building
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the paragraphs headed “Reorganisation” under the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 30 June 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Shanguafan Factory”	the production site of the Group located in Shanguafan, Lin’an District, Hangzhou City, Zhejiang Province, the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	shares of the Company
“Shenglong Decoration”	Zhejiang Shenglong Decoration Material Co., Ltd* (浙江盛龍裝飾材料有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Site Formation Consideration”	a sum of RMB6,600,000 (equivalent to approximately HK\$7,345,800), subject to adjustments in the actual construction works
“Site Formation Contract”	the site formation contract entered into between between Shenglong Decoration and Zhejiang Zhongda on 12 September 2019 in relation site formation and retaining wall works at the Land
“sq. m.”	square metre(s)

“Staff Quarters”	the staff quarters to be constructed on the Land, with a total construction area of 9,610.35 sq. metres and comprising one block of staff quarters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangdai Factory”	the production site of the Group located in Yangdai, Lin’an District, Hangzhou City, Zhejiang Province, the PRC
“Zhejiang Zhongda”	Zhejiang Zhongda Construction Engineering Co., Ltd.* (浙江中大建设工程有限公司), a company incorporated in the PRC with limited liability

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at an exchange rate of RMB1.00=HK\$1.113.

By order of the Board
Shenglong Splendecor International Limited
Sheng Yingming

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 December 2019

As at the date of this announcement, the Board comprises (i) four executive directors, namely Mr. Sheng Yingming, Ms. Sheng Sainan, Mr. Fangxu and Mr. Tan Chee Kiang and (ii) three independent non-executive directors, namely Mr. Ma Lingfei, Mr. Tso Ping Cheong Brian and Ms. Huang Yueyuan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (<http://www.hkgem.com>) for at least 7 days from the date of its publication and on the Company’s website (<http://www.splendecor.com>).

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* For identification purpose only