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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY IN THE PRC

BACKGROUND

The Board is pleased to announce that on 14 October 2020 (after trading hours) the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Formal Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Property in the Consideration of RMB16,326,306.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined in the GEM Listing Rules) in respect of the transactions contemplated under the Formal Agreement are more than 5% but lower than 25%, the transactions contemplated under the Formal Agreement constitute discloseable transactions of the Company under the GEM Listing Rules and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 14 October 2020 (after trading hours) the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Formal Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Property in the Consideration of RMB16,326,306. Summarised below are the principal terms of the Formal Agreement:

FORMAL AGREEMENT

Date : 14 October 2020

Parties : (i) the Purchaser; and
(ii) the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Formal Agreement, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be acquired

The Property is an office premise to be constructed and situated at Room 501, 5/F Block 9, Euro America Financial City, Yuhang district, Hangzhou City, Zhejiang Province, China (中國浙江省杭州市余杭區歐美金融城9幢5層501號房) with a gross floor area expected to be 625.05 sq.m. The land use right of the land where the Property to be constructed had been granted for a term expiring on 18 June 2059.

Consideration

The total consideration of the Property under the Formal Agreement is of RMB16,326,306, which shall be paid by the Purchaser to the Vendor by cash in the following installments:

1. RMB8,166,306 (RMB500,000 of which was paid as initial deposit upon the signing of the Preliminary Agreement) of the Consideration was paid upon the signing of the Formal Agreement;
2. RMB4,900,000 shall be paid on or before 30 June 2021; and
3. RMB3,260,000 shall be paid on or before 31 March 2023.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to, amongst other things, (i) the prevailing market prices of properties of similar nature available in the localities; and (ii) the reasons as stated in the paragraphs headed "Reasons and benefits for the Acquisition" in this announcement.

The Company is intended to settle the Consideration with the internal resources of the Group, and/or banking facilities as and when appropriate.

The Consideration is adjustable in accordance with the actual measured built area of the Property to be confirmed by the local authority. The standard rate for the built area is agreed at RMB26,120 per sq.m.

Delivery of the Property

Subject to the terms in the Formal Agreement and other unforeseeable circumstances, the Vendor shall deliver the Property to the Purchaser on or before the Delivery Date, i.e. 31 May 2023 following the satisfaction of the following conditions:

1. the completion of the construction work and the relevant documentary proof in relation thereto;
2. all the relevant documents to be issued by the Planning, Police, Fire Service or Environmental Departments as required by laws or administrative regulations; and
3. the use of electricity, water, gas or roads which are equivalent to the normal conditions for commercial property.

Transfer of the title of Property

Following the full payment of the Consideration and upon all necessary approvals to be granted, the Purchaser has a right to require the title of the property to be vested on it by requiring the Vendor to execute a sale and purchase agreement for commercial property (商品房買賣協議) or its supplemental agreement(s).

INFORMATION OF THE VENDOR

The Vendor is a company established under the laws of the PRC which is principally engaged in property development in the PRC.

INFORMATION OF THE COMPANY AND THE PURCHASER

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 Purchaser, which is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the business of the manufacturing and sales of decorative printing materials products.

REASONS AND BENEFITS FOR THE ACQUISITION

In order to pursue a long-term sustainable growth and improve the competitiveness of the Group, the Group sets up a sales branch office at the central business district in Hangzhou in May 2020. The current sales branch office is rented in the same business district of the Property. In our long-term business plan, the sales team of our Group would be centralised in the central business district in Hangzhou which will lower the management costs and enhance

efficiency. Following the delivery of the Property, it will not only satisfy the future expansion needs for the manufacturing and sales of decorative printing materials products of the Group, but also save costs for rental payment arising from the lease of properties in the central business district.

The Board considers that the terms of the Formal Agreement and the transactions contemplated thereunder are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined in the GEM Listing Rules) in respect of the transactions contemplated under the Formal Agreement are more than 5% but lower than 25%, the transactions contemplated under the Formal Agreement constitute discloseable transactions of the Company under the GEM Listing Rules and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Property pursuant to the Formal Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Shenglong Splendecor International Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	The consideration of RMB16,326,306 for the Acquisition pursuant to the Formal Agreement
“Delivery Date”	31 May 2023

“Director(s)”	the director(s) of the Company
“Formal Agreement”	a formal joint-construction agreement dated 14 October 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Preliminary Agreement”	a preliminary joint-construction agreement dated 14 September 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Property”	an office premise to be constructed and located at Room 501, 5/F Block 9, Euro America Financial City, Yuhang district, Hangzhou City, Zhejiang Province, China (中國浙江省杭州市余杭區歐美金融城9幢5層501號房) with a gross floor area expected to be 625.05 sq.m.
“Purchaser”	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
“RMB”	Renminbi, the lawful currency in the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	shares of the Company
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”

Hangzhou Nuogang Real Estate Co., Limited* (杭州諾港置業有限公司), a company incorporated in the PRC with limited liability

“%”

per cent

By order of the Board

Shenglong Splendecor International Limited

Sheng Yingming

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 14 October 2020

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Sheng Yingming, Ms. Sheng Sainan, Mr. Fang Xu 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 Company. 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>).

* For identification purpose only