



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)



INTERIM  
REPORT  
2022

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Shenglong Splendecor International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Sheng Yingming  
Mr. Fang Xu  
Ms. Sheng Sainan  
Mr. Tan Chee Kiang  
(resigned on 25 March 2022)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Ping Cheong Brian  
Mr. Ma Lingfei  
Mr. Zheng Yong (appointed on 1 June 2022)  
Ms. Huang Yueyuan (resigned on 1 June 2022)

### AUTHORISED REPRESENTATIVES

Mr. Sheng Yingming  
Mr. Chan Wai Lung

### COMPLIANCE OFFICER

Mr. Fang Xu (appointed on 25 March 2022)  
Mr. Tan Chee Kiang  
(resigned on 25 March 2022)

### COMPANY SECRETARY

Mr. Chan Wai Lung

### AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (Chairman)  
Mr. Ma Lingfei  
Mr. Zheng Yong (appointed on 1 June 2022)  
Ms. Huang Yueyuan (resigned on 1 June 2022)

### REMUNERATION COMMITTEE

Mr. Zheng Yong (Chairman)  
(appointed on 1 June 2022)  
Ms. Huang Yueyuan (resigned on 1 June 2022)  
Mr. Ma Lingfei  
Mr. Tso Ping Cheong Brian

### NOMINATION COMMITTEE

Mr. Ma Lingfei (Chairman)  
Mr. Tso Ping Cheong Brian  
Mr. Zheng Yong (appointed on 1 June 2022)  
Ms. Huang Yueyuan (resigned on 1 June 2022)

### LEGAL ADVISER AS TO HONG KONG LAWS

Llinks Law Offices LLP

### AUDITOR

Confucius International CPA Limited  
Certified Public Accountants

### PRINCIPAL BANKERS

China Construction Bank Corporation  
Shanghai Pudong Development Bank Corporation

### REGISTERED OFFICE

P.O. Box 1350  
Windward 3, Regatta Office Park  
Grand Cayman KY1-1108  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3201, 32/F  
Alexandra House  
18 Chater Road, Central  
Hong Kong

### PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 55 Shangyang Road, Yangdai Village  
Jinnan sub-district, Lin'an, Hangzhou  
Zhejiang, PRC

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricolor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### WEBSITE

[www.splendecor.com](http://www.splendecor.com)

### STOCK CODE

8481.HK

The English names of companies mentioned in this report represented the best effort by the Directors in translating their Chinese names as they may not have official English names.



## 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 six months ended 30 June 2022 (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 RMB212.4 million, representing a decrease of approximately 15.3% over the six months ended 30 June 2021 (the “Corresponding Period”). The decrease in the Group’s revenue was driven by the decrease in revenue from overseas markets and the People’s Republic of China (the “PRC”). The revenue from overseas markets recorded a decrease of approximately 27.8% over the Corresponding Period, which was mainly derived from the decline in demand of Pakistan, India and other overseas markets. The demand from PRC customers remained strong but also recorded a slight decrease of approximately 7.1% over the Corresponding Period. The decrease in revenue was mainly derived from the decrease in sales of major products, including decorative paper, melamine impregnated paper and PVC flooring film, during the Period.

#### *Cost of sales*

The cost of sales decreased by approximately RMB28.0 million or approximately 14.2%, from approximately RMB197.3 million for the Corresponding Period to approximately RMB169.3 million for the Period, which was primarily due to decrease in the production volume during the Period. The decrease in cost of sales is in line with the decrease in the Group’s revenue during the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Gross profit and gross profit margin***

The Group's gross profit decreased by approximately RMB10.3 million, or approximately 19.2%, from approximately RMB53.4 million for the Corresponding Period to approximately RMB43.1 million for the Period, primarily due to the corresponding decrease in the Group's revenue during the Period. The prices of production materials were slightly raised during the Period, which increased the production costs of the Group and led to the slight decrease of the gross profit margin for the Period to approximately 20.3% (the gross profit margin for the Corresponding Period: 21.3%).

### ***Selling expenses***

The Group's selling expenses decreased by approximately RMB0.7 million or 3.7% from approximately RMB17.0 million for the Corresponding Period to approximately RMB16.3 million for the Period. The decrease was primarily attributable to the decrease in exhibition expenses and licensing fee.

### ***Administrative expenses***

The administrative expenses for the Period increased by approximately RMB1.3 million or 6.2% from approximately RMB21.8 million for the Corresponding Period to approximately RMB23.1 million for the Period. The increase was mainly attributable to the increase in the depreciation and amortisation expenses upon the completion of the new factory building.

### ***Other income and other gains/(losses) – net***

The Group's other income and other gains/(losses) – net increased significantly by approximately RMB3.4 million or 849.4% from approximately RMB0.4 million of net gains for the Corresponding Period to approximately RMB3.8 million of net gains for the Period, primarily due to the foreign exchange gain of RMB1.8 million during the Period (the Corresponding Period: foreign exchange loss of RMB0.7 million) and the increase in government grants income.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Finance expenses – net*

The Group's finance expenses – net increased by approximately RMB1.4 million or 40.5% from approximately RMB3.3 million for the Corresponding Period to approximately RMB4.7 million for the 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 due to the completion of the new factory building and production lines.

### *Income tax expense*

The income tax expense decreased significantly from approximately RMB2.1 million for the Corresponding Period to approximately RMB0.1 million for the Period, which was due to the decrease 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 RMB2.6 million for the Period as compared to a profit attributable to owners of the Company of approximately RMB9.7 million for the Corresponding Period.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB176.0 million (31 December 2021: RMB217.8 million) which comprised cash and cash equivalents of approximately RMB13.7 million (31 December 2021: RMB13.1 million). The Group had current liabilities amounted to approximately RMB287.9 million (31 December 2021: RMB326.3 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.61 times as at 30 June 2022 (31 December 2021: 0.67 times). The decrease in current ratio was mainly due to the decrease in financial assets at fair value through profit or loss and restricted bank deposits.

As at 30 June 2022, the Group's total bank borrowings amounted to approximately RMB207.5 million (31 December 2021: RMB190.1 million), representing an increase of approximately 9.2% as compared to that of 31 December 2021. Accordingly, the gearing ratio of the Group, calculated based on the total bank borrowings divided by the total equity, was approximately 0.96 as at 30 June 2022 (31 December 2021: 0.88). The increase in gearing ratio was mainly attributable to the increase in short-term bank borrowings during the Period.

The Group adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the Period. To manage liquidity risk, the board of Directors of the Company (the "Board") closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC, but a significant portion of its sales is made to foreign countries, and thus the Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to US dollars, Euro and Hong Kong dollars. The Group regularly and closely monitors the level of the foreign exchange risk exposures and will make necessary hedging arrangements to minimise its foreign currency exposure arising from the fluctuation in foreign exchange in the future.

During the Period, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risks.

### CAPITAL COMMITMENTS

As at 30 June 2022, the capital expenditure which the Group had contracted for but was not provided for in the financial information in respect of the acquisition of property, plant and equipment amounted to approximately RMB14.5 million (31 December 2021: RMB27.5 million).

### INFORMATION ON EMPLOYEES

As at 30 June 2022, the Group had 415 employees (31 December 2021: 417 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as the individual's performance. The Group also operates a defined contributions to the 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. The Group encourages the employees to persist in on-the-job training.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this report, there were no other significant investments held by the Company as at 30 June 2022, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period. The Company does not have any future plan for material investments or capital assets as at the date of this report.

### CHARGES OF ASSETS

As at 30 June 2022, the Group's bank borrowings were secured by its assets as below:

Land use rights with a total net book value of approximately RMB38.5 million (31 December 2021: RMB39.0 million) were pledged as collateral for the Group's borrowings.

Property, plant and equipment with a total net book value of approximately RMB150.0 million (31 December 2021: RMB157.5 million) were pledged as collateral for the Group's borrowings.

Deposit for acquisition of a property with a total carrying amount of approximately RMB16.3 million (31 December 2021: RMB16.3 million) were pledged as collateral for the Group's borrowings.

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: Nil).





## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

The global business environment is consistently challenging in the short run as a result of the recurrent nature of the novel coronavirus pandemic and the emergence of new virus variants. Unsynchronised global pandemic prevention and control, uneven economic recovery, the expected inflation in long-term global economic environment as well as geopolitical uncertainties have all increased challenge to the Group. The Group recorded a decrease in revenue of 15.3% and a slim profit attributable to owners of the Company during the Period. The significant drop in profit was mainly derived by (i) the decrease in revenue as the demand diminished in overseas markets; (ii) the increase in depreciation and amortisation expenses due to the completion of the new factory building; and (iii) the increase in finance cost due to the increase in the amount of bank borrowings. The Group will closely monitor the product pricing and costs in order to maximise its profit margins and maintain profitability.

Going forward, the Group will continue grasping the advantages of the existing decorative paper industry and keep focusing on sustainable strategic customers in the PRC and the growth of potential overseas markets. Taking advantage of the well-recognised reputation in the market and the continuous effort made by the Group's management and staff at all levels, 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.



## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2022

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2022 together with the comparative figures as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	6	<b>117,734</b>	150,706	<b>212,436</b>	250,671
Cost of sales		<b>(89,911)</b>	(118,557)	<b>(169,300)</b>	(197,296)
<b>Gross profit</b>		<b>27,823</b>	32,149	<b>43,136</b>	53,375
Selling expenses		<b>(9,291)</b>	(10,335)	<b>(16,346)</b>	(16,969)
Administrative expenses		<b>(11,616)</b>	(11,538)	<b>(23,109)</b>	(21,752)
Other income and other gains/(losses) – net	7	<b>2,773</b>	(550)	<b>3,769</b>	397
<b>Operating profit</b>	8	<b>9,689</b>	9,726	<b>7,450</b>	15,051
Finance income		<b>111</b>	193	<b>380</b>	306
Finance expenses		<b>(2,557)</b>	(1,824)	<b>(5,068)</b>	(3,642)
Finance expenses – net		<b>(2,446)</b>	(1,631)	<b>(4,688)</b>	(3,336)
<b>Profit before income tax</b>		<b>7,243</b>	8,095	<b>2,762</b>	11,715
Income tax expense	9	<b>(753)</b>	(1,498)	<b>(117)</b>	(2,056)
<b>Profit for the period</b>		<b>6,490</b>	6,597	<b>2,645</b>	9,659
<b>Profit attributable to:</b>					
– Owners of the Company		<b>6,490</b>	6,597	<b>2,645</b>	9,659
<b>Earnings per share for profit attributable to owners of the Company for the period</b>					
– Basic and diluted	10	<b>RMB cents 1.30</b>	RMB cents 1.32	<b>RMB cents 0.53</b>	RMB cents 1.93



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>6,490</b>	6,597	<b>2,645</b>	9,659
<b>Other comprehensive (expense)/income</b> <i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	<b>(934)</b>	(66)	<b>(1,026)</b>	88
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(934)</b>	(66)	<b>(1,026)</b>	88
<b>Total comprehensive income for the period</b>	<b>5,556</b>	6,531	<b>1,619</b>	9,747
<b>Total comprehensive income for the period attributable to:</b>				
– Owners of the Company	<b>5,556</b>	6,531	<b>1,619</b>	9,747



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Notes	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>38,505</b>	39,040
Prepayments for land use rights		<b>4,900</b>	4,900
Property, plant and equipment	11	<b>308,167</b>	304,097
Right-of-use assets		<b>311</b>	571
Intangible assets		<b>6,398</b>	6,909
Deposit for acquisition of a property		<b>16,362</b>	16,362
Deferred income tax assets		<b>4,234</b>	4,282
		<b>378,877</b>	376,161
<b>Current assets</b>			
Inventories	12	<b>32,982</b>	40,755
Trade and other receivables	13	<b>119,369</b>	120,436
Financial assets at fair value through profit or loss		–	12,005
Restricted bank deposits		<b>10,000</b>	31,507
Cash and cash equivalents		<b>13,677</b>	13,081
		<b>176,028</b>	217,784
<b>Total assets</b>		<b>554,905</b>	593,945
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	<b>4,253</b>	4,253
Other reserves		<b>99,293</b>	100,319
Retained earnings		<b>113,462</b>	110,817
<b>Total equity</b>		<b>217,008</b>	215,389



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	16	40,695	43,978
Trade and other payable (non-current)		6,586	5,298
Deferred revenue		2,720	2,820
Lease liabilities		–	160
		<b>50,001</b>	52,256
<b>Current liabilities</b>			
Trade and other payables	15	120,851	179,861
Short-term bank borrowings	16	100,333	77,000
Current portion of lease liabilities		212	312
Current portion of long-term bank borrowings	16	66,500	69,127
		<b>287,896</b>	326,300
<b>Total liabilities</b>		<b>337,897</b>	378,556
<b>Total equity and liabilities</b>		<b>554,905</b>	593,945
<b>Net current liabilities</b>		<b>(111,868)</b>	(108,516)
<b>Total assets less current liabilities</b>		<b>267,009</b>	267,645

The notes on pages 16 to 30 are an integral part of these condensed consolidated interim financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity owners of the Company			
	Share capital (Note 14) RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Balance at 1 January 2021</b>	4,253	99,923	97,221	201,397
<b>Comprehensive income</b>				
Profit for the period	-	-	9,659	9,659
<b>Other comprehensive income</b>				
Currency translation differences	-	88	-	88
<b>Total comprehensive income</b>	-	88	9,659	9,747
<b>Balance at 30 June 2021</b>	4,253	100,011	106,880	211,144
<b>Balance at 1 January 2022</b>	<b>4,253</b>	<b>100,319</b>	<b>110,817</b>	<b>215,389</b>
<b>Comprehensive income</b>				
Profit for the period	-	-	2,645	2,645
<b>Other comprehensive income</b>				
Currency translation differences	-	(1,026)	-	(1,026)
<b>Total comprehensive income</b>	-	(1,026)	2,645	1,619
<b>Balance at 30 June 2022</b>	<b>4,253</b>	<b>99,293</b>	<b>113,462</b>	<b>217,008</b>

The notes on pages 16 to 30 are an integral part of these condensed consolidated interim financial information.



## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(30,127)	(1,295)
Income tax paid	(1,225)	(1,050)
<b>Net cash used in operating activities</b>	<b>(31,352)</b>	<b>(2,345)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14,122)	(16,530)
Purchase of intangible assets	(412)	(823)
Decrease/(increase) in restricted bank deposits	33,512	(6,256)
Interest received	380	306
<b>Net cash generated from/(used in) investing activities</b>	<b>19,358</b>	<b>(23,303)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	47,423	43,000
Repayments of bank borrowings	(30,000)	(19,500)
Interest paid	(4,690)	(3,397)
<b>Net cash generated from financing activities</b>	<b>12,733</b>	<b>20,103</b>



**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2022

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>739</b>	(5,545)
Cash and cash equivalents at beginning of the period	<b>13,081</b>	14,839
Exchange (losses)/gains on cash and cash equivalents	<b>(143)</b>	28
<b>Cash and cash equivalents at end of the period</b>	<b>13,677</b>	9,322

The notes on pages 16 to 30 are an integral part of these condensed consolidated interim financial information.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 Island (the “Cayman Companies Law”). The address of its registered office is P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands.

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 interim financial information are presented in Renminbi (RMB), unless otherwise stated.

### 2 *Basis of presentation*

This condensed consolidated interim financial information for the Period has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 2 **Basis of presentation** (Continued)

#### *Going Concern*

As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB111.9 million. As at the same date, the Group had current bank borrowings of RMB166.8 million to be repayable in the coming twelve months; and bank acceptance notes payable amounting to RMB37.0 million which were pledged by the Group's bank deposits of RMB10.0 million. In addition, the Group had capital commitments amounting to RMB14.5 million in relation to the acquisition of property, plant and equipment as at 30 June 2022.

The Directors have reviewed the Group's cash flow forecast covering a period of not less than twelve months from 30 June 2022, and have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

- (a) The Group has not experienced any significant difficulties in renewing its bank borrowings upon their maturities and issuing its bank acceptance notes. There is no indication that the banks will not renew the existing bank borrowings if the Group applies for the renewal; and
- (b) The Directors also expect that sufficient sales orders will be secured in the coming months and the Group will continue its effort to strengthen its working capital position such that net operating cash inflows will be generated.

Based on the above, considering the continuous availability of bank facilities, and the successful renewal of bank facilities upon expiry, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2022. Accordingly, the Directors are of the opinion that the Group will continue as a going concern and have prepared the interim financial information on a going concern basis.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 *Significant accounting policies*

The accounting policies applied are consistent with those adopted in preparing the Group's annual audited financial statements for the year ended 31 December 2021, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2022.

#### *New and amended standards adopted by the group*

A number of new or amended standards became applicable for the current reporting period. The new or amended standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

### 4 *Estimates*

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim 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 2021.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 *Financial risk management*

#### 5.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks, market risk (foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report as at 31 December 2021.

There have been no changes in the risk management policies since 31 December 2021.

#### 5.2 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amounts of long-term bank borrowings approximates their fair value because the Group's borrowings bear floating interest rates which approximate to the market borrowing interest rate.

The carrying amounts less impairment allowance of trade and other receivables excluding prepayments, restricted bank deposits, cash and cash equivalents, short-term bank borrowings, trade and other payables excluding non-financial liabilities approximates their fair values due to their short maturities.

As at 30 June 2022 and 31 December 2021, the Group had no other level 1, level 2 or level 3 financial instruments.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 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 being only one operating segment for the Group as per the requirements of HKFRS 8 "Operating Segments".

During the Period, all the revenue was generated from sales of goods and provision of shipping service. All non-current assets are located in the PRC.

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

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC	<b>82,012</b>	93,556	<b>141,551</b>	152,448
Pakistan	<b>16,224</b>	17,729	<b>25,294</b>	31,866
India	<b>6,683</b>	6,976	<b>11,463</b>	15,104
United Arab Emirates	<b>3,210</b>	3,947	<b>6,283</b>	6,102
Turkey	<b>1,001</b>	2,391	<b>4,129</b>	4,140
Malaysia	<b>1,191</b>	506	<b>3,088</b>	2,297
Other countries	<b>7,413</b>	25,601	<b>20,628</b>	38,714
	<b>117,734</b>	150,706	<b>212,436</b>	250,671



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**7 Other income and other gains/(losses) – net**

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Income from sales of scrap and surplus materials	109	169	354	740
Rental income	327	32	677	48
Government grants income including amortisation of deferred government grants	633	213	1,202	239
Foreign exchange gain/(loss), net	2,075	(964)	1,857	(660)
Fixed assets write-off	(400)	–	(400)	–
Others	29	–	79	30
	<b>2,773</b>	<b>(550)</b>	<b>3,769</b>	<b>397</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 Operating profit

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

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Operating items</b>				
Impairment losses of trade and other receivables	<b>308</b>	411	<b>308</b>	411
Depreciation and amortisation	<b>6,546</b>	4,822	<b>13,756</b>	8,973
Auditor's remuneration – audit service	<b>219</b>	391	<b>409</b>	566

### 9 Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current income tax	–	756	<b>69</b>	1,299
Deferred income tax	<b>753</b>	742	<b>48</b>	757
	<b>753</b>	1,498	<b>117</b>	2,056



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9 *Income tax expense (Continued)*

#### (a) *PRC corporate income tax ("CIT")*

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 (the "CIT Law") amended and came into effect on 29 December 2018.

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.

#### (b) *Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and, is exempted from Cayman Islands income tax. Haoyu Capital Limited was incorporated under the International Business Companies Act of the British Virgin Islands and, is exempted from British Virgin Islands income tax. Splendecor Hong Kong Limited is subject to Hong Kong profits tax at the rate of 16.5%.

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (the Corresponding Period: Nil).

#### (c) *PRC withholding tax ("WHT")*

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. During the Period, the Directors reassessed the dividend policy of its major subsidiaries established in the PRC, i.e. Shenglong Decoration and Hangzhou Splendor Decoration Material Co., Ltd. ("Splendor Decoration"), based on the Group's current business plan and financial position, no retained earnings as of 30 June 2022 would be distributed to its non-PRC registered intermediate holding company in the foreseeable future. As such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by the Shenglong Decoration and Splendor Decoration in the PRC which will be remitted out of the PRC in the foreseeable future.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 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 June		Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>6,490</b>	6,597	<b>2,645</b>	9,659
Weighted average number of ordinary shares in issue ('000)	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Basic and diluted earnings per share (RMB cents)	<b>1.30</b>	1.32	<b>0.53</b>	1.93

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

### 11 Property, plant and equipment

During the Period, additions to the Group's property, plant and equipment were approximately RMB14,122,000 (the Corresponding Period: RMB16,530,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 Inventories

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Raw materials	<b>22,702</b>	19,701
Work in progress	<b>2,534</b>	3,720
Finished goods	<b>7,746</b>	17,334
	<b>32,982</b>	40,755

### 13 Trade and other receivables

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade receivables	<b>104,003</b>	114,973
Notes receivables	<b>9,068</b>	450
Less: allowance for impairment of trade receivables	<b>(4,364)</b>	(4,011)
Trade receivables, net	<b>108,707</b>	111,412
Advances to employees	<b>5,022</b>	4,707
Deposits paid to suppliers	<b>296</b>	100
Deposits for utilities and product quality assurance	<b>2,187</b>	1,558
Interests receivables	<b>157</b>	130
Prepayments of raw materials	<b>3,900</b>	3,189
Others	<b>219</b>	504
Less: allowance for impairment of other receivables	<b>(1,119)</b>	(1,164)
	<b>10,662</b>	9,024
	<b>119,369</b>	120,436



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 Trade and other receivables (Continued)

The credit terms of trade receivables granted by the Group are normally within 3 months. The ageing analysis of trade receivables based on the invoice date is as follows:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Less than 3 months	<b>91,973</b>	100,583
More than 3 months but not exceeding 1 year	<b>8,418</b>	10,604
More than 1 year	<b>3,612</b>	3,786
	<b>104,003</b>	114,973

### 14 Share capital

	<b>Number of ordinary shares '000</b>	<b>Nominal value of ordinary shares HK\$'000</b>
<b>Authorised</b>		
At 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000	100,000
	<b>Number of ordinary shares '000</b>	<b>Nominal value of ordinary shares HK\$'000</b>
		<b>Equivalent nominal value of ordinary shares RMB'000</b>
<b>Issued</b>		
At 31 December 2021, 1 January 2022 and 30 June 2022	500,000	5,000
		4,253



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**15 Trade and other payables**

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payables	<b>52,744</b>	58,893
Notes payables	<b>37,000</b>	63,000
Payables for purchase of property, plant and equipment	<b>16,902</b>	31,871
Accrued operating expenses (a)	<b>5,086</b>	3,599
Employee benefit payable	<b>8,782</b>	11,975
Other taxes payable	<b>2,381</b>	6,944
Contract liabilities	<b>1,707</b>	1,098
Others	<b>2,835</b>	7,779
Less: non-current portion – long term other payables	<b>(6,586)</b>	(5,298)
	<b>120,851</b>	179,861



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 Trade and other payables (Continued)

- (a) The amount mainly represented accruals for transportation expenses and commission expenses.
- (b) As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Less than 3 months	<b>69,671</b>	94,133
More than 3 months but not exceeding 1 year	<b>19,927</b>	27,375
More than 1 year	<b>146</b>	385
	<b>89,744</b>	121,893

- (c) As at 30 June 2022 and 31 December 2021, all trade and other payables of the Group were non-interest bearing.

### 16 Borrowings

#### Long-term bank borrowings

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Secured bank borrowings	<b>107,195</b>	113,105
Less: current portion of long-term borrowings	<b>(66,500)</b>	(69,127)
	<b>40,695</b>	43,978



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 Borrowings (Continued)

#### Short-term bank borrowings

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Secured bank borrowings	<b>100,333</b>	77,000

### 17 Dividends

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

### 18 Commitments

#### Capital commitments

Capital expenditures contracted for at the end of the Period but not yet incurred are as follows:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Property, plant and equipment	<b>14,502</b>	27,471



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 *Related party transactions*

#### (a) *Transaction with related parties*

Save as disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following transactions with related parties during the Period.

#### *Key management compensation*

During the Period, the emoluments of key management personnels were RMB1,450,000 (the Corresponding Period: RMB1,603,050).

#### (b) *Period-end balance with related parties*

As at 30 June 2022 and 31 December 2021, the Group did not have any balances with the related parties.

### 20 *Events occurring after the balance sheet date*

There is no events occurring after the balance sheet date.



## **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 24 to the consolidated financial statements for the year ended 31 December 2021.

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 has purchased, sold or redeemed any of the Company's listed securities during the Period.

### **DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE**

As at 30 June 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 5.67 of the GEM Listing Rules are as follows:





## OTHER INFORMATION

### *Long position in ordinary shares of the Company*

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding <sup>(Note 2)</sup>
Mr. Sheng Yingming ("Mr. Sheng") <sup>(Note 1)</sup>	Beneficial owner and interest in controlled corporation	322,760,000 shares	64.55%

*Notes:*

- (1) These 322,760,000 shares comprise: (i) 82,810,000 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 30 June 2022, none of the Directors or the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



## OTHER INFORMATION

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

As at 30 June 2022, so far as was known to the Directors and the chief executives of the Company, 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 <small>(Note 1)</small>	Percentage of shareholding
Bright Commerce	Beneficial interest	239,950,000 shares (L)	47.99%
Mr. Sheng	Beneficial owner and interest in controlled corporation	322,760,000 shares (L)	64.55%
Ms. Chen Deqin <small>(Note 2)</small>	Interest of spouse	322,760,000 shares (L)	64.55%



## **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.

Save as disclosed above, as at 30 June 2022, 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 a 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 June 2022, 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 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the Period. No incident of non-compliance was noted by the Company during the Period.



## **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 contained in Appendix 15 to the GEM Listing Rules (the "CG Code").

The Company confirms that, other than the deviation from code provision C.2.1 of Part 2 of the CG Code, the Company has complied with all the code provisions set out in the CG Code throughout the Period.

Pursuant to code provision C.2.1 of Part 2 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 code provision C.2.1 of Part 2 of the CG Code.

### **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provisions D.3 of Part 2 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 Mr. Zheng Yong. 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.



## OTHER INFORMATION

The unaudited interim consolidated results of the Group for the Period have been reviewed by the audit committee and the audit committee is of the view that the interim report for the Period 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, 10 August 2022

*As at the date of this report, the Directors are:*

*Executive Directors*

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

Mr. Fang Xu

Ms. Sheng Sainan

*Independent Non-executive Directors*

Mr. Tso Ping Cheong Brian

Mr. Ma Lingfei

Mr. Zheng Yong

