



**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)



2025 INTERIM REPORT

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

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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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Ping Cheong Brian
Mr. Ma Lingfei
Mr. Zheng Yong

AUTHORISED REPRESENTATIVES

Mr. Sheng Yingming
Mr. Chan Wai Lung

COMPLIANCE OFFICER

Mr. Fang Xu

COMPANY SECRETARY

Mr. Chan Wai Lung

AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (*Chairman*)
Mr. Ma Lingfei
Mr. Zheng Yong

REMUNERATION COMMITTEE

Mr. Zheng Yong (*Chairman*)
Mr. Ma Lingfei
Mr. Tso Ping Cheong Brian

NOMINATION COMMITTEE

Mr. Ma Lingfei (*Chairman*)
Mr. Tso Ping Cheong Brian
Mr. Zheng Yong

LEGAL ADVISER AS TO HONG KONG LAWS

Llinks Law Offices LLP

AUDITOR

Confucius International CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

China Construction Bank Corporation
Shanghai Pudong Development Bank Corporation

REGISTERED OFFICE

P.O. Box 1350
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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WEBSITE

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; and (iii) PVC flooring film. The Group served over 500 customers in both domestic and overseas markets for the six months ended 30 June 2025 (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 RMB270.5 million, representing an increase of approximately 3.8% over the six months ended 30 June 2024 (the “Corresponding Period”). The increase in the Group’s revenue was driven by the increase in revenue from overseas markets and the People’s Republic of China (the “PRC”). The revenue from overseas markets recorded an increase of approximately 7.2% over the Corresponding Period, which was mainly derived from the increase in demand of United Arab Emirates, India and other overseas markets. The demand from PRC customers remained stable and recorded a slight increase of approximately 2.2% over the Corresponding Period. The increase in revenue was mainly derived from the increase in sales of major products, including decorative paper, melamine impregnated paper and PVC flooring film, during the Period.

Cost of sales

Despite the increase in revenue, the cost of sales decreased by approximately RMB15.7 million or approximately 8.4%, from approximately RMB186.5 million for the Corresponding Period to approximately RMB170.8 million for the Period, which was primarily due to the decrease in production materials such as original paper and other production costs during the Period.

Gross profit and gross profit margin

The Group’s gross profit increased significantly by approximately RMB25.6 million, or approximately 34.5%, from approximately RMB74.1 million for the Corresponding Period to approximately RMB99.7 million for the Period, primarily due to the corresponding increase in the Group’s revenue and the decrease in the Group’s cost of sales. The prices of production materials were stable, and the production efficiency was improved due to the favorable results of the Company’s cost-efficient measures, which led to an increase in the gross profit margin for the Period to approximately 36.9% (the gross profit margin for the Corresponding Period: 28.4%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by approximately RMB1.4 million or 6.4% from approximately RMB21.1 million for the Corresponding Period to approximately RMB22.5 million for the Period. The increase was primarily attributable to the increase in the marketing and exhibition expenses in order to facilitate sales orders.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB12.2 million or 33.3% from approximately RMB36.6 million for the Corresponding Period to approximately RMB48.8 million for the Period. The increase was mainly attributable to (i) the increase in salaries and welfare of our administrative staff, (ii) the increase in entertainment expenses in order to maintain relationship with business partners, and (iii) the increase in the preliminary infrastructure expenses for the establishment of the new manufacturing plant in She County.

Other income and other gains – net

The Group's other income and other gains – net decreased by approximately RMB5.1 million or 98.5% from approximately RMB5.2 million of net gains for the Corresponding Period to approximately RMB0.1 million for the Period, primarily due to the foreign exchange loss was recorded resulting from the depreciation of US dollar ("USD") against RMB during the Period.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB0.2 million or 5.0% from approximately RMB5.1 million for the Corresponding Period to approximately RMB5.3 million for the Period. This was primarily due to the increase in interest expenses attributable to the increase in the bank borrowings.

Income tax expense

The income tax expense increased from approximately RMB1.4 million for the Corresponding Period to approximately RMB3.3 million for the Period, which was due to the increase in profit before income tax.

Profit attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately RMB19.9 million for the Period as compared to a profit attributable to owners of the Company of approximately RMB15.1 million for the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2025, the Group had current assets of approximately RMB354.6 million (31 December 2024: RMB324.4 million) which comprised cash and cash equivalents of approximately RMB54.3 million (31 December 2024: RMB55.6 million). As at 30 June 2025, the Group had current liabilities amounted to approximately RMB187.0 million (31 December 2024: RMB287.9 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 1.90 times as at 30 June 2025 (31 December 2024: 1.13 times). The increase in current ratio was mainly due to the decrease in notes payable and payables for purchase of property, plant and equipment.

As at 30 June 2025, the Group's total bank borrowings amounted to approximately RMB468.9 million (31 December 2024: RMB380.8 million), representing an increase of approximately 23.1% as compared to that of 31 December 2024. There was no material seasonality of borrowing requirements for the Group. As at 30 June 2025, bank borrowings of the Group amounting to approximately RMB468.9 million were at fixed interest rates ranging from 2.9% to 3.7% per annum. Accordingly, the gearing ratio of the Group, calculated based on the total bank borrowings divided by the total equity, was approximately 1.61 as at 30 June 2025 (31 December 2024: 1.37). The increase in gearing ratio was mainly attributable to the increase in long-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.

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 USD, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2025, 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 RMB108.9 million (31 December 2024: RMB158.9 million).

INFORMATION ON EMPLOYEES

As at 30 June 2025, the Group had 460 employees (31 December 2024: 396 employees), including the executive Directors. The Group recorded staff costs (including Director's remuneration) of approximately RMB48.7 million (Corresponding Period: RMB40.2 million) for the Period. Remuneration is determined with reference to market norms and individual employees' performance, qualifications 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 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.

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

There were no significant investments held by the Company as at 30 June 2025, nor were there any material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the Period.

CHARGES OF ASSETS

As at 30 June 2025, the Group's bank borrowings were secured by its assets as below:

Land use rights with a total net book value of approximately RMB79.9 million (31 December 2024: RMB81.3 million) were pledged as collateral for the Group's borrowings.

Property, plant and equipment with a total net book value of approximately RMB240.2 million (31 December 2024: RMB244.7 million) were pledged as collateral for the Group's borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2025 (31 December 2024: Nil).

PROSPECTS

Challenges including high interest rates, geo-political tensions and Sino-US trade conflicts continue to cloud the global economy despite the emergence of positive signals. The global business environment remains consistently challenging in the short run and the geopolitical uncertainties have brought increased challenges to the Group. With the steady recovery of China's economy and looking forward, the Group will be more proactively integrating into this dynamic market. The decorative printing material industry may continue to grow in the coming year as demand for decorative paper is expected to increase due to the economy recovery.

The proposed establishment of another manufacturing plant in She County is in line with the business plan of the Group and will further enhance its production capacity and flexibility to facilitate the Group's business expansion in She County, Huangshan City, Anhui Province, the PRC. The construction is on-going and the progress is in line with the original schedule and it is expected to be completed on or before 30 December 2026. The Directors believe that the new manufacturing plant aligns with the development strategy of the Group, and will further enhance the profitability of the Group and promote the long-term sustainable development of the Group.

The Group will stick to its proven business strategies to maintain and strengthen its growth and performance. To maintain its well-recognised reputation in the market, the Group is exploring opportunities to expand its business presence in the global decorative printing material market as well as developing other business partnerships that would be beneficial to the overall business development of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this interim report, the Group did not have any future plans for material investments or additions of capital assets as at the date of this interim report.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2025

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2025 together with the comparative figures as follows:

		Six months ended 30 June	
	Notes	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Revenue	6	270,562	260,677
Cost of sales		(170,846)	(186,556)
Gross profit		99,716	74,121
Selling expenses		(22,474)	(21,125)
Administrative expenses		(48,787)	(36,610)
Other income and other gains – net	7	76	5,203
Operating profit	8	28,531	21,589
Finance income		346	248
Finance expenses		(5,644)	(5,296)
Finance expenses – net		(5,298)	(5,048)
Profit before income tax		23,233	16,541
Income tax expense	9	(3,279)	(1,407)
Profit for the period		19,954	15,134
Profit attributable to:			
– Owners of the Company		19,954	15,134
Earnings per share for profit attributable to owners of the Company for the period		RMB cents	RMB cents
– Basic and diluted	10	4.47	3.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Profit for the period	19,954	15,134
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	5,090	2,047
Other comprehensive income for the period, net of tax	5,090	2,047
Total comprehensive income for the period	25,044	17,181
Total comprehensive income for the period attributable to:		
– Owners of the Company	25,044	17,181

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2025

	Notes	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
ASSETS			
Non-current assets			
Land use rights		79,856	81,344
Prepayments for land use rights		4,900	4,900
Property, plant and equipment	11	519,484	456,745
Right-of-use assets		175	227
Intangible assets		3,522	4,383
Deferred income tax assets		2,766	2,878
		610,703	550,477
Current assets			
Inventories	12	34,153	31,582
Trade and other receivables	13	266,212	226,933
Restricted bank deposits		–	10,300
Cash and cash equivalents		54,284	55,624
		354,649	324,439
Total assets		965,352	874,916
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	4,171	4,171
Other reserves		68,329	75,919
Retained earnings		218,695	198,741
Total equity		291,195	278,831

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2025

	Notes	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	16	393,948	305,800
Deferred revenue		93,132	2,214
Lease liabilities		75	127
		487,155	308,141
Current liabilities			
Trade and other payables	15	107,246	206,399
Tax payables		4,647	6,436
Short-term bank borrowings	16	70,000	70,000
Current portion of lease liabilities		109	109
Current portion of long-term bank borrowings	16	5,000	5,000
		187,002	287,944
Total liabilities		674,157	596,085
Total equity and liabilities		965,352	874,916
Net current assets		167,647	36,495
Total assets less current liabilities		778,350	586,972

The notes on pages 15 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 2025

	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)
Balance at 1 January 2024	4,253	100,056	151,228	255,537
Comprehensive income				
Profit for the period	–	–	15,134	15,134
Other comprehensive income				
Currency translation differences	–	2,047	–	2,047
Total comprehensive income	–	2,047	15,134	17,181
Transactions with shareholders in their capacity as owners				
Repurchase of ordinary shares	–	(3,832)	–	(3,832)
Total transactions with shareholders in their capacity as owners	–	(3,832)	–	(3,832)
Balance at 30 June 2024	4,253	98,271	166,362	268,886
Balance at 1 January 2025	4,171	75,919	198,741	278,831
Comprehensive income				
Profit for the period	–	–	19,954	19,954
Other comprehensive income				
Currency translation differences	–	5,090	–	5,090
Total comprehensive income	–	5,090	19,954	25,044
Transactions with shareholders in their capacity as owners				
Repurchase of ordinary shares	–	(12,680)	–	(12,680)
Total transactions with shareholders in their capacity as owners	–	(12,680)	–	(12,680)
Balance at 30 June 2025	4,171	68,329	218,695	291,195

The notes on pages 15 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 2025

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash used in operations	(5,448)	(46,551)
Income tax paid	(4,294)	(2,320)
Net cash used in operating activities	(9,742)	(48,871)
Cash flows from investing activities		
Purchase of property, plant and equipment	(75,932)	(4,788)
Purchase of land use right	–	(41,041)
Interest received	351	248
Net cash used in investing activities	(75,581)	(45,581)
Cash flows from financing activities		
Proceeds from bank borrowings	188,648	158,300
Repayments of bank borrowings	(100,500)	(71,400)
Interest paid	(5,372)	(5,210)
Repurchase of ordinary shares	(13,041)	(3,732)
Repayment of lease liabilities	(58)	(57)
Net cash generated from financing activities	69,677	77,901

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net decrease in cash and cash equivalents	(15,646)	(16,551)
Cash and cash equivalents at beginning of the period	65,924	84,448
Exchange gains on cash and cash equivalents	4,006	623
Cash and cash equivalents at end of the period	54,284	68,520

The notes on pages 15 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 unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2024, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

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 2024, 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 2025.

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 the unaudited condensed consolidated 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 2024.

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 unaudited 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 2024.

There have been no changes in the risk management policies since 31 December 2024.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

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 2025 and 31 December 2024, the Group had no other level 1, level 2 or level 3 financial instruments.

The table below analyses the Group's bank borrowings into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
Bank borrowings (including interest payable upon maturity)						
At 30 June 2025	70,430	40,359	257,676	161,501	529,967	468,948
At 31 December 2024	87,767	86,687	208,782	32,831	416,067	380,800

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:

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
PRC	183,323	179,334
Pakistan	16,296	16,721
India	17,967	15,203
United Arab Emirates	16,546	13,738
Indonesia	5,718	5,606
Other countries	30,712	30,075
	270,562	260,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Other income and other gains – net

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Income from sales of scrap and surplus materials	221	331
Rental income	1,499	2,185
Government grants income including amortisation of deferred government grants	1,155	1,047
Foreign exchange (loss)/gain, net	(3,249)	1,149
Others	450	491
	76	5,203

8 Operating profit

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

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Operating items		
Depreciation and amortisation	18,777	18,408
Auditor's remuneration – audit service	403	383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Income tax expense

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Current income tax	3,095	1,235
Deferred income tax	184	172
	3,279	1,407

(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 certificate of High and New Technology Enterprises from local government, in accordance with which, Shenglong Decoration enjoyed a preferential tax rate of 15% during the Period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 *Income tax expense (Continued)*

(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. Under the current Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), Splendecor Hong Kong Limited is subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000.

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 2025 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.

	Six months ended 30 June	
	2025 (unaudited)	2024 (unaudited)
Profit attributable to owners of the Company (RMB'000)	19,954	15,134
Weighted average number of ordinary shares in issue ('000)	446,187	494,684
Basic and diluted earnings per share (RMB cents)	4.47	3.06

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 RMB75,932,000 (the Corresponding Period: RMB4,788,000).

12 Inventories

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Raw materials	13,458	7,864
Work in progress	1,832	1,630
Finished goods	18,863	22,088
	34,153	31,582

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Trade and other receivables

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Trade receivables	187,825	203,267
Notes receivables	31,751	8,122
Less: allowance for impairment of trade receivables	(6,064)	(6,214)
Trade receivables, net	213,512	205,175
Advances to employees	2,770	2,879
Advances to construction suppliers	27,300	6,132
Deposits paid to suppliers	44	51
Deposits for utilities and product quality assurance	2,405	2,431
Prepayments of raw materials	1,930	1,840
Prepayments of expenses	4,214	5,053
Value-added tax for deduction	15,294	4,627
Others	902	904
Less: allowance for impairment of other receivables	(2,159)	(2,159)
	52,700	21,758
	266,212	226,933

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:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Less than 3 months	132,209	136,648
More than 3 months but not exceeding 1 year	49,402	63,009
More than 1 year	6,214	3,610
	187,825	203,267

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
Authorised		
At 31 December 2024, 1 January 2025 and 30 June 2025	10,000,000	100,000
	Nominal value of ordinary shares '000	Equivalent nominal value of ordinary shares RMB'000
Issued		
At 31 December 2024, 1 January 2025 and 30 June 2025	490,420	4,904 4,171

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Trade and other payables

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Trade payables	64,053	62,570
Notes payables	–	54,500
Payables for purchase of property, plant and equipment	2,869	39,630
Accrued operating expenses (Note (a))	5,018	6,829
Employee benefit payable	23,365	28,110
Other taxes payable	7,026	8,251
Contract liabilities	129	1,244
Others	4,786	5,265
	107,246	206,399

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 2025 and 31 December 2024, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Less than 3 months	27,072	83,817
More than 3 months but not exceeding 1 year	36,637	33,009
More than 1 year	344	244
	64,053	117,070

- (c) As at 30 June 2025 and 31 December 2024, all trade and other payables of the Group were non-interest bearing.

16 Borrowings

Long-term bank borrowings

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Secured bank borrowings	358,948	270,800
Unsecured bank borrowings	40,000	40,000
Less: current portion of long-term borrowings	(5,000)	(5,000)
	393,948	305,800

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Borrowings (Continued)

Short-term bank borrowings

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Unsecured bank borrowings	70,000	70,000

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:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Property, plant and equipment	108,878	158,928

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 *Related party transactions*

(a) *Transaction with related parties*

Save as disclosed elsewhere in the unaudited 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 RMB4,050,000 (the Corresponding Period: RMB2,360,000).

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

As at 30 June 2025 and 31 December 2024, the Group did not have any balances with the related parties.

20 *Events occurring after the balance sheet date*

There is no material event affecting the Group that occurred from 30 June 2025 to the date of this interim report.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 June 2017 (the “Share Option Scheme”). The principal terms of the Share Option Scheme are summarised in note 23 to the consolidated financial statements for the year ended 31 December 2024.

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.

From the listing date of the Company and up to 30 June 2025, no share option has been granted by the Company. The outstanding number of share options available for grant under the Share Option Scheme is 50,000,000 shares options to subscribe for the shares at the beginning and at the end of the Period, respectively.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the Period and there was no outstanding option as at 30 June 2025.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 30 June 2025, the Company purchased a total of 23,105,000 of its own ordinary shares with nominal value of HK\$0.01 each share on the Stock Exchange at a total cash consideration of approximately HK\$13.9 million (the “Share Repurchase”) and held as treasury stocks. Details of the Share Repurchase are as follows:

Month of repurchase	Number of shares repurchased	Price per share (highest) (HK\$)	Price per share (lowest) (HK\$)	Aggregated consideration paid (HK\$)
May 2025	15,105,000	0.63	0.40	9,147,000
June 2025	8,000,000	0.59	0.59	4,730,000
	23,105,000			13,877,000

The Directors considered that the Share Repurchase would enhance the net asset value of the Company and was in the interest of the Company and its shareholders.

Save as disclosed above, 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 June 2025, 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) (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 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:

Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding ^(Note 2)
Mr. Sheng Yingming ("Mr. Sheng") ^(Note 1)	Beneficial owner and interest in controlled corporation	298,280,000 shares	60.82%

Notes:

- (1) These 298,280,000 shares comprise: (i) 58,330,000 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 490,420,000 shares in issue at the date of this report.

Save as disclosed above, as at 30 June 2025, 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 2025, so far as was known to the Directors and the chief executive 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 ^(Note 1)	Percentage of shareholding
Bright Commerce	Beneficial interest	239,950,000 shares (L)	48.93%
Mr. Sheng	Beneficial owner and interest in controlled corporation	298,280,000 shares (L)	60.82%
Ms. Chen Deqin ^(Note 2)	Interest of spouse	298,280,000 shares (L)	60.82%

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 2025, 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 2025, 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 5.67 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.

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 C1 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.

OTHER INFORMATION

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.

The unaudited condensed consolidated interim 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 results of the Group for the Period and 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, 14 August 2025

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