



**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)



2024
INTERIM REPORT

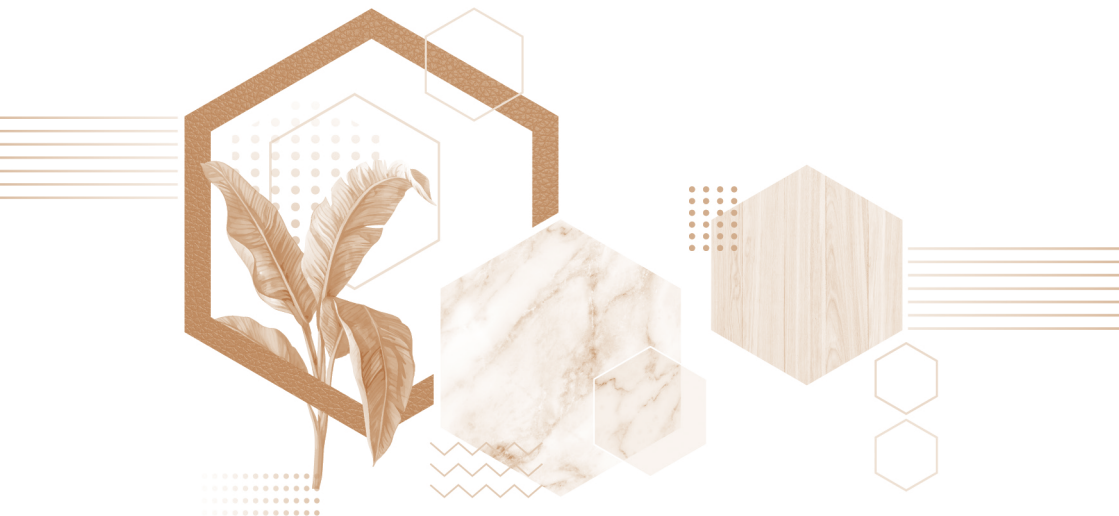
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This report, for which the directors (the “Directors”) of Shenglong Splendecor International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing 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.





Interim Report 2024

SHENGLONG SPLENDECOR INTERNATIONAL LIMITED

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

Links 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
Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Alexandra House
18 Chater Road, Central
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PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 55 Shangyang Road, Yangdai Village
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Zhejiang, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
P.O. Box 1350
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricolor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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; (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 2024 (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 RMB260.6 million, representing an increase of approximately 13.6% over the six months ended 30 June 2023 (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 5.7% over the Corresponding Period, which was mainly derived from the increase in demand of United Arab Emirates, Indonesia and other overseas markets. The demand from PRC customers remained strong and recorded a slight increase of approximately 17.6% 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

The cost of sales increased by approximately RMB15.1 million or approximately 8.8%, from approximately RMB171.4 million for the Corresponding Period to approximately RMB186.5 million for the Period, which was primarily due to increase in the production volume during the Period.

Gross profit and gross profit margin

The Group’s gross profit increased significantly by approximately RMB16.1 million, or approximately 27.7%, from approximately RMB58.0 million for the Corresponding Period to approximately RMB74.1 million for the Period, primarily due to the corresponding increase in the Group’s revenue. 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 28.4% (the gross profit margin for the Corresponding Period: 25.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by approximately RMB3.2 million or 17.9% from approximately RMB17.9 million for the Corresponding Period to approximately RMB21.1 million for the Period. The increase was primarily attributable to (i) the increase in salaries and welfare of our sales staff, and (ii) the increase in the transportation and entertainment expenses in order to facilitate sales orders.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB7.2 million or 24.5% from approximately RMB29.4 million for the Corresponding Period to approximately RMB36.6 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 depreciation and amortisation expenses upon the completion of the administration building.

Other income and other gains – net

The Group's other income and other gains – net increased by approximately RMB2.7 million or 104.3% from approximately RMB2.5 million of net gains for the Corresponding Period to approximately RMB5.2 million for the Period, primarily due to (i) the increase in government grants income, (ii) the increase in rental income derived from lease of the warehouse which was set-off by the (iii) the decrease in foreign exchange gain due to the appreciation of US dollar ("USD") against RMB.

Finance expenses – net

The Group's finance expenses – net decreased by approximately RMB0.9 million or 16.2% from approximately RMB6.0 million for the Corresponding Period to approximately RMB5.1 million for the Period. This was primarily due to the decrease in interest expenses attributable to the decrease in the interest rate of bank borrowings.

Income tax expense

The income tax expense increased from approximately RMB0.3 million for the Corresponding Period to approximately RMB1.4 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 RMB15.1 million for the Period as compared to a profit attributable to owners of the Company of approximately RMB6.9 million for the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB299.4 million (31 December 2023: RMB303.2 million) which comprised cash and cash equivalents of approximately RMB68.5 million (31 December 2023: RMB77.3 million). The Group had current liabilities amounted to approximately RMB183.4 million (31 December 2023: RMB237.1 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 1.63 times as at 30 June 2024 (31 December 2023: 1.28 times). The increase in current ratio was mainly due to the decrease in notes payable.

As at 30 June 2024, the Group's total bank borrowings amounted to approximately RMB334.8 million (31 December 2023: RMB251.1 million), representing an increase of approximately 33.3% as compared to that of 31 December 2023. There was no material seasonality of borrowing requirements for the Group. As at 30 June 2024, bank borrowings of the Group amounting to approximately RMB334.8 million were at fixed interest rates ranging from 3.5% to 4.0% per annum. Accordingly, the gearing ratio of the Group, calculated based on the total bank borrowings divided by the total equity, was approximately 1.25 as at 30 June 2024 (31 December 2023: 0.98). 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 2024, 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 RMB20.3 million (31 December 2023: RMB20.9 million).

INFORMATION ON EMPLOYEES

As at 30 June 2024, the Group had 405 employees (31 December 2023: 381 employees), including the executive Directors. The Group recorded staff costs (including Director's remuneration) of approximately RMB40.2 million (Corresponding Period: RMB30.9 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

Discloseable Transaction in relation to Acquisition of Land Use Right

On 19 June 2024, an indirect wholly-owned subsidiary of the Company, Huangshan Shenglong Decoration Material Co., Ltd ("Huangshan Shenglong"), has successfully won the public tender in respect of the land use right of a parcel of industrial land totaling approximately 122,836 sq.m. (or 184 mu) located at Chengdong Park of She County Economic Development Zone (the "Land") offered for sale by the Natural Resources and Planning Bureau of She County. On the same day, Huangshan Shenglong and the Natural Resources and Planning Bureau of She County entered into a transaction confirmation letter in relation to the Land at a consideration of RMB36,850,890. Huangshan Shenglong subsequently entered into a State-owned Construction Land Use Right Grant Contract with the Natural Resources and Planning Bureau of She County on 28 June 2024. The Group intends to establish another manufacturing plant and industry research center on the Land to satisfy the expanding demand of decorative printing material products of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Transaction in relation to the Construction Contract

On 25 July 2024, Huangshan Shenglong entered into a construction contract with Zhejiang Capital Construction Engineering Co. Ltd. (the “Contractor”), pursuant to which the Contractor has agreed to undertake the construction works in respect of the factory and industry research center on the Land at the total contract price of RMB220.0 million (tax inclusive)(equivalent to approximately HK\$236.1 million), subject to the adjustment of the project settlement auditing.

Save as disclosed above, there were no other significant investments held by the Company as at 30 June 2024, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

CHARGES OF ASSETS

As at 30 June 2024, the Group’s bank borrowings were secured by its assets as below:

Land use rights with a total net book value of approximately RMB36.4 million (31 December 2023: RMB36.9 million) were pledged as collateral for the Group’s borrowings.

Property, plant and equipment with a total net book value of approximately RMB259.7 million (31 December 2023: RMB273.7 million) were pledged as collateral for the Group’s borrowings.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

PROSPECTS

During the year of 2023 and up to the first half of 2024, the Group’s business has fully recovered from the haze caused by the COVID-19 pandemic in the past few years and has returned to its pre-pandemic growth track. The latest monetary easing policies and stimulus plans introduced by the Central Government of China may help to boost local consumption and investment and promote economic growth. However, challenges including high interest rates, geo-political tensions and Sino-US trade conflicts would still cloud the global economy despite the emergence of positive signals. The global business environment is 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 keep on the growth track in the coming year as demand for decorative paper will increase due to the economy recovery. The Group is considering to further expand its manufacturing factory building in order to satisfy the expanding demand of products.

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the announcement published by the Company in respect of acquisition of the land use right in She County, Huangshan City, Anhui Province, the PRC on 19 June 2024 (the “Announcement”). As disclosed in the Announcement, pursuant to the transaction confirmation letter entered into by Huangshan Shenglong and the Natural Resources and Planning Bureau of She County, Huangshan Shenglong acquired the land use right of a parcel of industrial land totaling approximately 122,836 sq.m. (or 184 mu) located at Chengdong Park of She County Economic Development Zone for construction and operation of a factory and industry research center, which will be principally engaged in the manufacturing of new types of high-grade decorative paper and impregnated paper. The Group is required to commence the construction works on or before 30 December 2024 and complete the construction works on or before 30 December 2026. Save for the manufacturing plants already established in Zhejiang Province, the Group intends to establish another manufacturing plant in She County in order to satisfy the expanding demand of decorative printing material products of the Group.

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 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 sustain its well-recognised reputation in the market, the Group is exploring opportunities for expanding 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 2024

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2024 together with the comparative figures as follows:

		Six months ended 30 June	
Notes	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	
Revenue	260,677	229,458	
Cost of sales	(186,556)	(171,429)	
Gross profit	74,121	58,029	
Selling expenses	(21,125)	(17,912)	
Administrative expenses	(36,610)	(29,416)	
Other income and other gains – net	5,203	2,547	
Operating profit	21,589	13,248	
Finance income	248	32	
Finance expenses	(5,296)	(6,053)	
Finance expenses – net	(5,048)	(6,021)	
Profit before income tax	16,541	7,227	
Income tax expense	(1,407)	(294)	
Profit for the period	15,134	6,933	
Profit attributable to:			
– Owners of the Company	15,134	6,933	
Earnings per share for profit attributable to owners of the Company for the period			
– Basic and diluted	RMB cents 3.03	RMB cents 1.39	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Profit for the period	15,134	6,933
Other comprehensive income <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	2,047	1,850
Other comprehensive income for the period, net of tax	2,047	1,850
Total comprehensive income for the period	17,181	8,783
Total comprehensive income for the period attributable to:		
– Owners of the Company	17,181	8,783

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
ASSETS			
Non-current assets			
Land use rights		75,877	36,902
Prepayments for land use rights		4,900	4,900
Property, plant and equipment	11	332,536	338,626
Right-of-use assets		280	332
Intangible assets		4,497	5,661
Deposit for property, plant and equipment		-	1,442
Deferred income tax assets		3,006	3,017
		421,096	390,880
Current assets			
Inventories	12	29,547	28,286
Trade and other receivables	13	201,293	190,457
Restricted bank deposits		-	7,100
Cash and cash equivalents		68,520	77,348
		299,360	303,191
Total assets		720,456	694,071
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	4,253	4,253
Other reserves		98,271	100,056
Retained earnings		166,362	151,228
Total equity		268,886	255,537

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	16	264,800	197,900
Trade and other payable (non-current)		898	898
Deferred revenue		2,317	2,416
Lease liabilities		181	236
		268,196	201,450
Current liabilities			
Trade and other payables	15	110,716	179,581
Tax payables		2,552	4,198
Short-term bank borrowings	16	70,000	50,000
Current portion of lease liabilities		106	105
Current portion of long-term bank borrowings	16	–	3,200
		183,374	237,084
Total liabilities		451,570	438,534
Total equity and liabilities		720,456	694,071
Net current assets		115,986	66,107
Total assets less current liabilities		537,082	456,987

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 2024

	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 2023	4,253	100,027	122,875	227,155
Comprehensive income				
Profit for the period	-	-	6,933	6,933
Other comprehensive income				
Currency translation differences	-	1,850	-	1,850
Total comprehensive income	-	1,850	6,933	8,783
Balance at 30 June 2023	4,253	101,877	129,808	235,938
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

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 2024

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(46,551)	3,409
Income tax (paid)/refund	(2,320)	300
Net cash (used in)/generated from operating activities	(48,871)	3,709
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,788)	(2,920)
Purchase of intangible assets	–	(686)
Purchase of land use right	(41,041)	–
Interest received	248	32
Net cash used in investing activities	(45,581)	(3,574)
Cash flows from financing activities		
Proceeds from bank borrowings	158,300	51,924
Repayments of bank borrowings	(71,400)	(29,300)
Interest paid	(5,210)	(5,018)
Repurchase of ordinary shares	(3,732)	–
Repayment of lease liabilities	(57)	–
Net cash generated from financing activities	77,901	17,606

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net (decrease)/increase in cash and cash equivalents	(16,551)	17,741
Cash and cash equivalents at beginning of the period	84,448	10,281
Exchange gains on cash and cash equivalents	623	118
Cash and cash equivalents at end of the period	68,520	28,140

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 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 2023, 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 2023, 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 2024.

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 2023.

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 2023.

There have been no changes in the risk management policies since 31 December 2023.

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 2024 and 31 December 2023, 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	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings (including interest payable upon maturity)					
At 30 June 2024	70,547	77,126	209,948	357,621	334,800
At 31 December 2023	62,045	84,145	124,874	271,064	251,100

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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC	179,334	152,524
Pakistan	16,721	27,108
India	15,203	14,107
United Arab Emirates	13,738	9,244
Indonesia	5,606	4,101
Other countries	30,075	22,374
	260,677	229,458

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Other income and other gains – net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from sales of scrap and surplus materials	331	52
Rental income	2,185	725
Government grants income including amortisation of deferred government grants	1,047	53
Foreign exchange gain, net	1,149	1,615
Others	491	102
	5,203	2,547

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:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Operating items		
Impairment losses of trade and other receivables	–	280
Depreciation and amortisation	18,408	17,703
Auditor's remuneration – audit service	383	411

9 Income tax expense

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current income tax	1,235	122
Deferred income tax	172	172
	1,407	294

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 *Income tax expense (Continued)*

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

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.

(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 2024 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	
	2024 (unaudited)	2023 (unaudited)
Profit attributable to owners of the Company (RMB'000)	15,134	6,933
Weighted average number of ordinary shares in issue ('000)	500,000	500,000
Basic and diluted earnings per share (RMB cents)	3.03	1.39

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 RMB4,788,000 (the Corresponding Period: RMB2,920,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Inventories

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Raw materials	12,480	9,252
Work in progress	1,352	860
Finished goods	15,715	18,174
	29,547	28,286

13 Trade and other receivables

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables	183,302	165,235
Notes receivables	4,313	6,915
Less: allowance for impairment of trade receivables	(3,960)	(4,182)
Trade receivables, net	183,655	167,968
Advances to employees	3,008	3,411
Advances to a construction supplier	6,416	7,931
Deposits paid to suppliers	-	19
Deposits for utilities and product quality assurance	568	1,974
Prepayments of raw materials	114	179
Prepayments of expenses	8,648	9,581
Others	388	962
Less: allowance for impairment of other receivables	(1,504)	(1,568)
	17,638	22,489
	201,293	190,457

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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Less than 3 months	158,307	141,561
More than 3 months but not exceeding 1 year	20,037	19,051
More than 1 year	4,958	4,623
	183,302	165,235

14 Share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
Authorised		
At 31 December 2023, 1 January 2024 and 30 June 2024	10,000,000	100,000

Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000

Issued

At 31 December 2023, 1 January 2024 and 30 June 2024	500,000	5,000	4,253
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Trade and other payables

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade payables	74,497	62,806
Notes payables	–	71,000
Payables for purchase of property, plant and equipment	6,754	7,634
Accrued operating expenses	4,848	4,565
Employee benefit payable	18,992	21,627
Other taxes payable	4,256	5,662
Contract liabilities	77	737
Others	2,190	6,448
Less: non-current portion – long term other payables	(898)	(898)
	110,716	179,581

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 2024 and 31 December 2023, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Less than 3 months	31,857	102,166
More than 3 months but not exceeding 1 year	40,537	31,476
More than 1 year	2,103	164
	74,497	133,806

- (c) As at 30 June 2024 and 31 December 2023, all trade and other payables of the Group were non-interest bearing.

16 Borrowings

Long-term bank borrowings

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Secured bank borrowings	224,800	201,100
Unsecured bank borrowings	40,000	–
Less: current portion of long-term borrowings	–	(3,200)
	264,800	197,900

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Borrowings (Continued)

Short-term bank borrowings

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Secured bank borrowings	50,000	20,000
Unsecured bank borrowings	20,000	30,000
	70,000	50,000

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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Property, plant and equipment	20,282	20,874

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 RMB2,360,000 (the Corresponding Period: RMB1,893,000).

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

As at 30 June 2024 and 31 December 2023, the Group did not have any balances with the related parties.

20 *Events occurring after the balance sheet date*

Major Transaction in relation to the Construction Contract

On 25 July 2024, Huangshan Shenglong entered into a construction contract with the Contractor, pursuant to which the Contractor has agreed to undertake the construction works in respect of the factory and industry research center on the Land at the total contract price of RMB220.0 million (tax inclusive)(equivalent to approximately HK\$236.1 million), subject to the adjustment of the project settlement auditing.

As one or more of the applicable percentage ratios calculated for the construction contract in accordance with the GEM Listing Rules exceed 25% but are all not more than 100%, the transaction contemplated under the construction contract constitutes a major transaction on the part of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

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 2023.

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

As at 30 June 2024, the Company purchased a total of 9,580,000 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\$4.5 million (the “Share Repurchase”) and all these shares were subsequently cancelled by the Company on 31 July 2024 according to the laws of Cayman Islands. Details of the Share Repurchase are as follows:

Month of repurchase in 2023 and 2024	Number of shares repurchased	Price per share (highest) (HK\$)	Price per share (lowest) (HK\$)	Aggregated consideration paid (HK\$)
December 2023	1,450,000	0.315	0.218	349,000
January 2024	3,265,000	0.415	0.320	1,315,000
April 2024	150,000	0.460	0.460	69,000
May 2024	2,185,000	0.580	0.470	1,138,000
June 2024	2,530,000	0.640	0.590	1,585,000
	9,580,000			4,456,000

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 2024, 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:

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 ^(Note 2)
Mr. Sheng Yingming ("Mr. Sheng") ^(Note 1)	Beneficial owner and interest in controlled corporation	322,760,000 shares	65.81%

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 490,420,000 shares in issue at the date of this report.

Save as disclosed above, as at 30 June 2024, 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 2024, 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	322,760,000 shares (L)	65.81%
Ms. Chen Deqin ^(Note 2)	Interest of spouse	322,760,000 shares (L)	65.81%

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 2024, 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 2024, 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 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.

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 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, 13 August 2024

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