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SHENGLONG SPLENDECOR INTERNATIONAL LIMITED

盛龍錦秀國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Shenglong Splendecor International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021. This announcement, containing the full text of the 2021 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2021 interim report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.splendecor.com on or before 13 August 2021.

By Order of the Board

Shenglong Splendecor International Limited

Sheng Yingming

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 10 August 2021

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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. Tan Chee Kiang
Mr. Fang Xu
Ms. Sheng Sainan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Ping Cheong Brian
Mr. Ma Lingfei
Ms. Huang Yueyuan

AUTHORISED REPRESENTATIVES

Mr. Sheng Yingming
Mr. Chan Wai Lung

COMPLIANCE OFFICER

Mr. Tan Chee Kiang

COMPANY SECRETARY

Mr. Chan Wai Lung

AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (*Chairman*)
Mr. Ma Lingfei
Ms. Huang Yueyuan

REMUNERATION COMMITTEE

Ms. Huang Yueyuan (*Chairlady*)
Mr. Ma Lingfei
Mr. Tso Ping Cheong Brian

NOMINATION COMMITTEE

Mr. Ma Lingfei (*Chairman*)
Mr. Tso Ping Cheong Brian
Ms. Huang Yueyuan

LEGAL ADVISER AS TO HONG KONG LAWS

Llinks Law Offices LLP

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

China Construction Bank Corporation
Shanghai Pudong Development Bank Corporation

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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; (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 2021 (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 RMB250.7 million, representing a significant increase of approximately 78.9% over the six months ended 30 June 2020 (the “Corresponding Period”). The increase in the Group’s revenue was driven by the increase in revenue from the People’s Republic of China (the “PRC”) and overseas markets. The demand from PRC customers remained strong and the Group derived a significant increase of approximately 79.2% of the revenue from the PRC market over the Corresponding Period. The revenue from the overseas market also recorded an increase of approximately 78.5% over the Corresponding Period as the economy in the Group’s major overseas markets gradually recovered from the adverse impact of the novel coronavirus (the “COVID-19”). The increase in revenue was mostly derived from the 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 RMB87.9 million or approximately 80.4%, from approximately RMB109.4 million for the Corresponding Period to approximately RMB197.3 million for the Period, which was primarily due to increase in the prices of production materials and increase in the production volume during the Period. The increase in cost of sales is in line with the increase in the Group’s revenue during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit significantly increased by approximately RMB22.7 million, or approximately 73.6%, from approximately RMB30.7 million for the Corresponding Period to approximately RMB53.4 million for the Period, primarily due to the corresponding increase in the Group's revenue during the Period. The prices of production materials raised during the Period which increased the production cost of the Group and led to the slight decrease of the gross profit margin for the Period to approximately 21.3% (the gross profit margin for the Corresponding Period: 21.9%).

Selling expenses

The Group's selling expenses increased by approximately RMB9.0 million or 112.2% from approximately RMB8.0 million for the Corresponding Period to approximately RMB17.0 million for the Period. The increase was primarily attributable to the increase in transportation, travelling, entertainment, marketing and exhibition expenses, licensing fee and sales commission.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB3.9 million or 21.7% from approximately RMB17.9 million for the Corresponding Period to approximately RMB21.8 million for the Period. The increase was mainly attributable to the increase in research and development costs for developing new products.

Other income and other gains – net

The Group's other income and other gains – net decreased by approximately RMB0.4 million or 48.6% from approximately RMB0.8 million of net gains for the Corresponding Period to approximately RMB0.4 million of net gains for the Period, primarily due to the foreign exchange loss of 0.7 million resulted during the Period (the Corresponding Period: foreign exchange gain of 0.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB1.8 million or 119.5% from approximately RMB1.5 million for the Corresponding Period to approximately RMB3.3 million for the Period. This was primarily due to (i) the increase in interest expenses attributable to the increase in the amount of bank borrowings; and (ii) the decrease in the amount of capitalisation of borrowings costs because the construction of certain buildings and production lines in the PRC has been completed.

Income tax expense

The income tax expense increased from approximately RMB0.8 million for the Corresponding Period to approximately RMB2.1 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 RMB9.7 million for the Period as compared to a profit of approximately RMB3.4 million for the Corresponding Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB233.3 million (31 December 2020: RMB199.1 million) which comprised cash and cash equivalents of approximately RMB9.3 million (31 December 2020: RMB14.8 million). The Group had current liabilities amounted to approximately RMB267.3 million (31 December 2020: RMB203.7 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.87 times as at 30 June 2021 (31 December 2020: 0.98 times). The decrease in current ratio was mainly due to the increase in bank borrowings.

The gearing ratio of the Group, calculated based on the interest-bearing liabilities divided by the total equity, was approximately 0.77 as at 30 June 2021 (31 December 2020: 0.69). The increase in gearing ratio was mainly attributable to the increase in secured bank borrowings during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

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

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

CAPITAL COMMITMENTS

As at 30 June 2021, 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 RMB23.4 million (31 December 2020: RMB37.8 million).

INFORMATION ON EMPLOYEES

As at 30 June 2021, the Group had 442 employees (31 December 2020: 403 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as the individual's performance. The Group also operates a defined contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

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

On 14 October 2020, an indirect wholly-owned subsidiary of the Company entered into a formal agreement (the “Formal Agreement”) in relation to the purchase of an office premise to be constructed and situated in the PRC in the consideration of RMB16,326,306, subject to adjustments in accordance with the actual measured built area to be confirmed by the relevant local authority. Further details of the Formal Agreement are set out in the announcement of the Company dated 14 October 2020.

Save as disclosed above, there were no other significant investments held by the Company as at 30 June 2021, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

CHARGES OF ASSETS

As at 30 June 2021, the Group’s bank borrowings were secured by its assets as below:

Land use rights with a total net book value of approximately RMB39.6 million (31 December 2020: RMB40.1 million) were pledged as collateral for the Group’s borrowings.

Property, plant and equipment with a total net book value of approximately RMB43.7 million (31 December 2020: RMB46.7 million) were pledged as collateral for the Group’s borrowings.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As a number of countries worldwide began to launch coronavirus vaccination programmes since the end of year 2020, the COVID-19 pandemic has gradually eased. The global economy is gradually recovering and demand for decorative printing materials products remains strong, especially in the PRC. The Group's revenue derived from its PRC customers for the Period recorded a significant increase of approximately 79.2% over the Corresponding Period. The Group is optimistic in maintaining continuous growth in revenue throughout the second half of year 2021.

During the Period, the Group intensified its resources in developing new products. The Group will continue to improve its manufacturing technology, so as to enhance its production capacity and flexibility. The Group will make use of the upgraded and automated facility, reinforce the planning in the production processes and utilise the resources efficiently to better control its cost of production. All these measures provide a solid foundation and offer favourable conditions in alignment with the need of business expansion.

During the Period, the prices of production materials, including the raw papers and chemicals, were boosted up frequently, which has put considerable pressure on the Group's profits, the Group will closely monitor the product pricing and costs in order to maximise the profit margins and seize opportunity to enlarge the market share derived by the employment of certain pricing strategies. The Group will keep on enhancing its resources management and production efficiency, so as to maintain its profitability.

In year 2021, the Group is committed to increase its overseas sales workforce. The Group will further expand its marketing and sales teams and sub-centers globally, to achieve its annual sales growth target. The Group will also maintain its focus on sustainable strategic customers and the growth of domestic markets in the PRC. Taking advantages of the well-recognised reputation in the market, the Directors are optimistic on the potential of snapping up more market shares in the decorative printing materials industry. The Group will continue to explore new markets and capture emerging business opportunities.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2021

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2021 together with the comparative figures as follows:

		Three months ended 30 June		Six months ended 30 June	
	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	6	150,706	79,224	250,671	140,084
Cost of sales		(118,557)	(60,656)	(197,296)	(109,354)
Gross profit		32,149	18,568	53,375	30,730
Selling expenses		(10,335)	(4,342)	(16,969)	(7,998)
Administrative expenses		(11,538)	(10,212)	(21,752)	(17,867)
Other income and other gains/(losses) – net	7	(550)	(128)	397	772
Operating profit	8	9,726	3,886	15,051	5,637
Finance income		193	33	306	121
Finance expenses		(1,824)	(852)	(3,642)	(1,641)
Finance expenses – net		(1,631)	(819)	(3,336)	(1,520)
Profit before income tax		8,095	3,067	11,715	4,117
Income tax expense	9	(1,498)	(496)	(2,056)	(755)
Profit for the period		6,597	2,571	9,659	3,362
Profit attributable to:					
– Owners of the Company		6,597	2,571	9,659	3,362
Earnings per share for profit attributable to owners of the Company for the period					
– Basic and diluted	10	RMB cents 1.32	RMB cents 0.51	RMB cents 1.93	RMB cents 0.67



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Profit for the period	6,597	2,571	9,659	3,362
Other comprehensive income <i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	(66)	(973)	88	(819)
Other comprehensive income for the period, net of tax	(66)	(973)	88	(819)
Total comprehensive income for the period	6,531	1,598	9,747	2,543
Total comprehensive income for the period attributable to:				
– Owners of the Company	6,531	1,598	9,747	2,543



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
ASSETS			
Non-current assets			
Land use rights		39,574	40,109
Prepayments for land use rights		4,900	4,900
Property, plant and equipment	11	247,232	236,799
Intangible assets		6,473	6,626
Deposit for acquisition of a property		8,166	8,166
Deferred income tax assets		4,586	5,343
		310,931	301,943
Current assets			
Inventories	12	60,792	44,415
Trade and other receivables	13	126,193	109,110
Restricted bank deposits		37,000	30,744
Cash and cash equivalents		9,322	14,839
		233,307	199,108
Total assets		544,238	501,051
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	4,253	4,253
Other reserves		100,011	99,923
Retained earnings		106,880	97,221
Total equity		211,144	201,397



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	16	61,000	92,000
Trade and other payable (non-current)		1,886	956
Deferred revenue		2,948	3,022
		65,834	95,978
Current liabilities			
Trade and other payables	15	165,760	156,676
Short-term bank borrowings	16	42,000	35,000
Current portion of long-term bank borrowings	16	59,500	12,000
		267,260	203,676
Total liabilities		333,094	299,654
Total equity and liabilities		544,238	501,051
Net current liabilities		(33,953)	(4,568)
Total assets less current liabilities		276,978	297,375

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 2021

	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 2020	4,253	99,689	87,949	191,891
Comprehensive income				
Profit for the period	–	–	3,362	3,362
Other comprehensive income				
Currency translation differences	–	(819)	–	(819)
Total comprehensive income	–	(819)	3,362	2,543
Balance at 30 June 2020	4,253	98,870	91,311	194,434
Balance at 1 January 2021	4,253	99,923	97,221	201,397
Comprehensive income				
Profit for the period	–	–	9,659	9,659
Other comprehensive income				
Currency translation differences	–	88	–	88
Total comprehensive income	–	88	9,659	9,747
Balance at 30 June 2021	4,253	100,011	106,880	211,144

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 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(1,295)	12,396
Income tax paid	(1,050)	(1,220)
Net cash (used in)/generated from operating activities	(2,345)	11,176
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,530)	(9,970)
Purchase of intangible assets	(823)	(2,705)
Increase in restricted bank deposits	(6,256)	(5,749)
Interest received	306	121
Net cash used in investing activities	(23,303)	(18,303)
Cash flows from financing activities		
Proceeds from bank borrowings	43,000	84,500
Repayments of bank borrowings	(19,500)	(64,750)
Interest paid	(3,397)	(3,785)
Net cash generated from financing activities	20,103	15,965



INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net (decrease)/increase in cash and cash equivalents	(5,545)	8,838
Cash and cash equivalents at beginning of the period	14,839	15,890
Exchange gain/(losses) on cash and cash equivalents	28	(115)
Cash and cash equivalents at end of the period	9,322	24,613

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

2 Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Going Concern

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB34.0 million. As at the same date, the Group had current bank borrowings of RMB101.5 million to be repayable in the coming twelve months; and bank acceptance notes payable amounting to RMB74.0 million which were pledged by the Group's bank deposits of RMB37.0 million. In addition, the Group had capital commitments amounting to RMB23.4 million in relation to the acquisition of property, plant and equipment as at 30 June 2021.

The Directors have reviewed the Group's cash flow forecast covering a period of not less than twelve months from 30 June 2021, and have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

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

Based on the above, considering the continuous availability of bank facilities, and the successful renewal of bank facilities upon expiry, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Accordingly, the Directors are of the opinion that the Group will continue as a going concern and have prepared the interim financial information on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 *Significant accounting policies*

The accounting policies applied are consistent with those adopted in preparing the Group's annual audited financial statements for the year ended 31 December 2020, 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 2021.

New and amended standards adopted by the group

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

4 *Estimates*

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.



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 interim condensed consolidated 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 2020.

There have been no changes in the risk management policies since 31 December 2020.

5.2 *Fair value estimation*

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

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

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

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

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

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

As at 30 June 2021 and 31 December 2020, the Group had no other level 1, level 2 or level 3 financial instruments.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Revenue and segment information

The Board assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are related to manufacturing and sales of decorative printing materials products. Therefore, management considers there being only one operating segment for the Group as per the requirements of HKFRS 8 "Operating Segments".

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

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC	93,556	54,718	152,448	85,065
Pakistan	17,729	5,933	31,866	20,442
India	6,976	1,502	15,104	5,775
Thailand	615	772	1,249	1,551
Kenya	2,227	1,674	4,367	1,674
United Arab Emirates	3,947	1,897	6,102	5,312
Other countries	25,656	12,728	39,535	20,265
	150,706	79,224	250,671	140,084

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income from sales of scrap and surplus materials	169	328	740	508
Rental income	32	32	48	48
Government grants income including amortisation of deferred government grants	213	28	239	54
Foreign exchange gain/(loss), net	(964)	(31)	(660)	629
Fixed assets write-off	–	(542)	–	(542)
Others	–	57	30	75
	(550)	(128)	397	772



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Operating profit

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Operating items				
Impairment losses of trade and other receivables	411	588	411	588
Depreciation and amortisation	4,822	4,539	8,973	7,926
Auditor's remuneration – audit service	391	333	566	633

9 Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current income tax	756	558	1,299	783
Deferred income tax	742	(62)	757	(28)
	1,498	496	2,056	755

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 *Income tax expense (Continued)*

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

The corporate income tax rate applicable to the group entities located in the PRC other than Zhejiang Shenglong Decoration Material Co., Ltd ("Shenglong Decoration") is 25% according to the PRC Corporate Income Tax Law (the "CIT Law") amended and came into effect on 29 December 2018.

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

(b) *Overseas income tax*

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

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (2020: 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, and no retained earnings as of 30 June 2021 would be distributed to its non-PRC registered intermediate holding company in the foreseeable future. As such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by the Shenglong Decoration and Splendor Decoration in the PRC which will be remitted out of the PRC in the foreseeable future.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	Three months ended 30 June		Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Profit attributable to owners of the Company (RMB'000)	6,597	2,571	9,659	3,362
Weighted average number of ordinary shares in issue ('000)	500,000	500,000	500,000	500,000
Basic and diluted earnings per share (RMB cents)	1.32	0.51	1.93	0.67

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 RMB16,530,000 (for the Corresponding Period: RMB11,923,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Inventories

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Raw materials	42,453	21,177
Work in progress	3,888	3,950
Finished goods	14,451	19,288
	60,792	44,415

13 Trade and other receivables

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	120,122	103,892
Notes receivables	230	2,436
Less: allowance for impairment of trade receivables	(4,299)	(3,842)
Trade receivables, net	116,053	102,486
Advances to employees	7,556	5,072
Deposits paid to suppliers	146	105
Deposits for utilities and product quality assurance	2,232	1,574
Interests receivables	108	69
Prepayments of raw materials	900	749
Others	299	202
Less: allowance for impairment of other receivables	(1,101)	(1,147)
	10,140	6,624
	126,193	109,110



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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Less than 3 months	105,958	92,867
More than 3 months but not exceeding 1 year	10,535	6,961
More than 1 year	3,629	4,064
	120,122	103,892

14 Share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000	
Authorised			
At 31 December 2020, 1 January 2021 and 30 June 2021	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 2020, 1 January 2021 and 30 June 2021	500,000	5,000	4,253

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Trade and other payables

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables	63,343	60,329
Notes payables	74,000	61,400
Payables for purchase of property, plant and equipment	5,131	11,054
Accrued operating expenses (a)	3,310	5,147
Employee benefit payable	7,719	8,548
Other taxes payable	6,525	3,599
Contract liabilities	4,487	1,492
Others	3,131	6,063
Less: non-current portion – long term other payables	(1,886)	(956)
	165,760	156,676



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 2021 and 31 December 2020, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Less than 3 months	80,985	101,433
More than 3 months but not exceeding 1 year	56,224	20,088
More than 1 year	134	208
	137,343	121,729

- (c) As at 30 June 2021 and 31 December 2020, all trade and other payables of the Group were non-interest bearing.

16 Borrowings

Long-term bank borrowings

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Secured bank borrowings	120,500	104,000
Less: current portion of long-term borrowings	(59,500)	(12,000)
	61,000	92,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 *Borrowings* (Continued)

Short-term bank borrowings

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Secured bank borrowings	37,000	30,000
Unsecured bank borrowings	5,000	5,000
	42,000	35,000

17 *Dividends*

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

18 *Commitments*

Capital commitments

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Property, plant and equipment	23,360	37,843



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 *Related party transactions*

(a) *Transaction with related parties*

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

Key management compensation

During the Period, the emoluments of key management personnel were RMB1,603,050 (the Corresponding Period: RMB1,290,000).

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

As at 30 June 2021 and 31 December 2020, the Group did not have any balances with the related parties.

20 *Events occurring after the balance sheet date*

There is no events occurring after the balance sheet date.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 June 2017 (the “Share Option Scheme”). The principal terms of the Share Option Scheme are summarised in note 23 to the consolidated financial statements for the year ended 31 December 2020.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by the eligible participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

No option has been granted since the adoption of the Share Option Scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Period.

DIRECTORS’ AND THE CHIEF EXECUTIVE’S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:



OTHER INFORMATION

Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding ^(Note 2)
Mr. Sheng Yingming ("Mr. Sheng") ^(Note 1)	Beneficial owner and interest in controlled corporation	259,440,000 shares	51.89%
Mr. Tan Chee Kiang	Beneficial owner	30,000,000 shares	6.00%

Notes:

- (1) These 259,440,000 shares comprise: (i) 19,490,000 shares directly held by Mr. Sheng; and (ii) 239,950,000 shares held by Bright Commerce which is wholly owned by Mr. Sheng and hence, Mr. Sheng is deemed or taken to be interested in all the shares held by Bright Commerce for the purpose of SFO.
- (2) The percentage is calculated on the basis of 500,000,000 shares in issue at the date of this report.

Save as disclosed above, as at 30 June 2021, 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 2021, so far as was known to the Directors and the chief executives of the Company, the following persons/entities (not being a Director or chief executive of the Company) had, or deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares held ^(Note 1)	Percentage of shareholding
Bright Commerce	Beneficial interest	239,950,000 shares (L)	47.99%
Mr. Sheng	Beneficial owner and interest in controlled corporation	259,440,000 shares (L)	51.89%
Ms. Chen Deqin ^(Note 2)	Interest of spouse	259,440,000 shares (L)	51.89%
Mr. Tan Chee Kiang	Beneficial interest	30,000,000 shares (L)	6.00%
Ms. Tay Lee Shia ^(Note 3)	Interest of spouse	30,000,000 shares (L)	6.00%



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.
- (3) Ms. Tay Lee Shia is the spouse of Mr. Tan Chee Kiang. She is deemed, or taken to be, interested in all shares in which Mr. Tan Chee Kiang is interested for the purposes of SFO.

Save as disclosed above, as at 30 June 2021, 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 2021, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “Required Standard of Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the Period. No incident of non-compliance was noted by the Company during the Period.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "CG Code").

The Company confirms that, other than the deviation from code provision A.2.1, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the six months ended 30 June 2021.

Pursuant to code provision A.2.1 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 A.2.1 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 C.3 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 Ms. Huang Yueyuan. The primary duties of the audit committee are to review and supervise the Company's financial reporting process, internal control systems of the Group and to provide advice and comments thereon to the Board.



OTHER INFORMATION

The unaudited interim consolidated results of the Group for the six months ended 30 June 2021 have been reviewed by the audit committee and the audit committee is of the view that the interim report for the six months ended 30 June 2021 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

By order of the Board
Shenglong Splendecor International Limited
Sheng Yingming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 10 August 2021

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

Executive Directors

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

Mr. Tan Chee Kiang

Mr. Fang Xu

Ms. Sheng Sainan

Independent Non-executive Directors

Mr. Tso Ping Cheong Brian

Mr. Ma Lingfei

Ms. Huang Yueyuan

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

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