



SHENGLONG
盛 龙

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)



THIRD
QUARTERLY
REPORT
2022

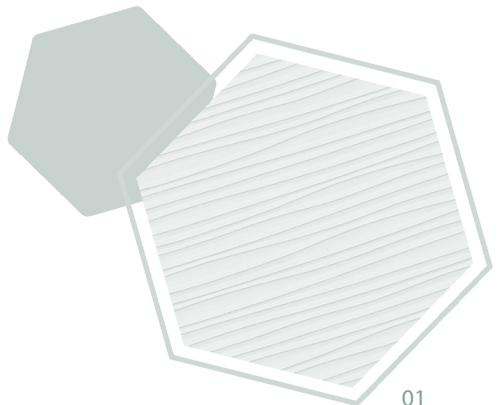
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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



FINANCIAL HIGHLIGHTS

- Revenue for the nine months ended 30 September 2022 (the “Period”) was approximately RMB332.2 million, representing a decrease of approximately 11.2% as compared to the nine months ended 30 September 2021 (the “Corresponding Period”).
- Gross profit for the Period was approximately RMB68.9 million, representing a decrease of approximately 5.8% as compared to the Corresponding Period.
- Profit attributable to owners of the Company for the Period was approximately RMB6.9 million, representing a decrease of approximately 40.8% as compared to the Corresponding Period.
- Basic earnings per share for the Period amounted to approximately RMB1.37 cents while basic earnings per share for the Corresponding Period amounted to approximately RMB2.32 cents.
- The Board does not recommend the payment of any dividend for the Period (Corresponding Period: Nil).



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 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 RMB332.2 million, representing a decrease of approximately 11.2% over the Corresponding Period. The decrease in the Group’s revenue was driven by the decrease in revenue from overseas markets and the People’s Republic of China (the “PRC”). The revenue from overseas markets recorded a decrease of approximately 16.4% over the Corresponding Period, which was mainly derived from the decline in demand of Pakistan, India and other overseas markets. The demand from PRC customers remained strong but also recorded a slight decrease of approximately 8.2% over the Corresponding Period. The decrease in revenue was mainly derived from the decrease in sales of major products, including decorative paper, melamine impregnated paper and PVC flooring film, during the Period.

Cost of sales

The cost of sales decreased by approximately RMB37.5 million or approximately 12.5%, from approximately RMB300.8 million for the Corresponding Period to approximately RMB263.3 million for the Period, which was primarily due to decrease in the production volume during the Period. The decrease in cost of sales is in line with the decrease in the Group’s revenue during the Period.

Gross profit and gross profit margin

The Group’s gross profit decreased by approximately RMB4.2 million, or approximately 5.8%, from approximately RMB73.1 million for the Corresponding Period to approximately RMB68.9 million for the Period, primarily due to the corresponding decrease in the Group’s revenue during the Period. The prices of production materials remained stable during the Period, and the production efficiency was slightly improved, which led to a slight increase of the gross profit margin for the Period to approximately 20.7% (the gross profit margin for the Corresponding Period: 19.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses decreased by approximately RMB1.4 million or 5.8% from approximately RMB24.3 million for the Corresponding Period to approximately RMB22.9 million for the Period. The decrease was primarily attributable to the (i) decrease in exhibition expenses as fewer trade exhibitions and trade fairs were held during the Period; and (ii) decrease in licensing fee due to decrease in sale of relevant licensed products.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB5.0 million or 15.3% from approximately RMB32.8 million for the Corresponding Period to approximately RMB37.8 million for the Period. The increase was mainly attributable to the (i) increase in the depreciation and amortisation expenses upon the completion of the new factory building; and (ii) increase in entertainment expenses.

Other income and other gains – net

The Group's other income and other gains – net increased significantly by approximately RMB4.0 million or 184.6% from approximately RMB2.1 million of net gains for the Corresponding Period to approximately RMB6.1 million of net gains for the Period, primarily due to the foreign exchange gain of RMB1.9 million during the Period (the Corresponding Period: foreign exchange loss of RMB0.6 million) and the increase in government grants income and rental income.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB1.8 million or 33.7% from approximately RMB5.3 million for the Corresponding Period to approximately RMB7.1 million for the Period. This was primarily due to (i) the increase in interest expenses attributable to the increase in the amount of bank borrowings; and (ii) the decrease in the amount of capitalisation of borrowings costs due to the completion of the new factory building and production lines.

Income tax expense

The income tax expense decreased significantly from approximately RMB1.3 million for the Corresponding Period to approximately RMB0.3 million for the Period, which was due to the decrease in profit before income tax and decrease in deferred income tax during the Period.

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 RMB6.9 million for the Period as compared to a profit attributable to owners of the Company of approximately RMB11.6 million for the Corresponding 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 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 risk.

INFORMATION ON EMPLOYEES

As at 30 September 2022, the Group had 380 employees (31 December 2021: 417 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employee's performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. The Group also operates a defined contributions to 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.

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

There were no significant investments held by the Company as at 30 September 2022, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The global business environment is consistently challenging in the short run and global economic prospects have worsened significantly. The expected inflation in long-term global economic environment as well as geopolitical uncertainties have all increased challenge to the Group. The Group recorded a decrease in revenue of 11.2% and a slim profit attributable to owners of the Company during the Period. The Group will closely monitor the product pricing and costs in order to maximise its profit margins and maintain profitability.

Going forward, the Group will continue grasping the advantages of existing decorative paper industry and keep focusing on sustainable strategic customers in the PRC and monitoring the potential development of overseas markets. Taking advantage of the well-recognised reputation in the market and the continuous effort made by the Group's management and staff at all levels, the Directors are optimistic to explore new markets and capture emerging business opportunities in the decorative printing materials industry.

The board of directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2022 together with the comparative figures for the Corresponding Period as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	5	119,762	123,304	332,198	373,975
Cost of sales		(94,019)	(103,537)	(263,319)	(300,833)
Gross profit		25,743	19,767	68,879	73,142
Selling expenses		(6,530)	(7,318)	(22,876)	(24,287)
Administrative expenses		(14,761)	(11,089)	(37,870)	(32,841)
Other income and other gains – net	6	2,322	1,743	6,091	2,140
Operating profit	7	6,774	3,103	14,224	18,154
Finance income		41	104	421	410
Finance expenses		(2,437)	(2,066)	(7,505)	(5,708)
Finance expenses – net		(2,396)	(1,962)	(7,084)	(5,298)
Profit before income tax		4,378	1,141	7,140	12,856
Income tax (expense)/credit	8	(152)	805	(269)	(1,251)
Profit for the period		4,226	1,946	6,871	11,605
Profit attributable to:					
– Owners of the Company		4,226	1,946	6,871	11,605
Earnings per share for profit attributable to owners of the Company for the period		RMB cents	RMB cents	RMB cents	RMB cents
– Basic and diluted	9	0.85	0.39	1.37	2.32

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Profit for the period	4,226	1,946	6,871	11,605
Other comprehensive expenses Items that may be reclassified to profit or loss				
Currency translation differences	(1,196)	(190)	(2,222)	(102)
Other comprehensive expenses for the period, net of tax	(1,196)	(190)	(2,222)	(102)
Total comprehensive income for the period	3,030	1,756	4,649	11,503
Total comprehensive income for the period attributable to:				
– Owners of the Company	3,030	1,756	4,649	11,503



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to equity owners of the Company			
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)
Balance at 1 January 2021	4,253	99,923	97,221	201,397
Comprehensive income				
Profit for the period	-	-	11,605	11,605
Other comprehensive expenses				
Currency translation differences	-	(102)	-	(102)
Total comprehensive income	-	(102)	11,605	11,503
Balance at 30 September 2021	4,253	99,821	108,826	212,900

	Attributable to equity owners of the Company			
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)
Balance at 1 January 2022	4,253	100,319	110,817	215,389
Comprehensive income				
Profit for the period	-	-	6,871	6,871
Other comprehensive expenses				
Currency translation differences	-	(2,222)	-	(2,222)
Total comprehensive income	-	(2,222)	6,871	4,649
Balance at 30 September 2022	4,253	98,097	117,688	220,038

The notes on pages 10 to 16 are an integral part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Islands. The address of its registered office is PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is Room 3201, 32/F, Alexandra House, 18 Chater Road, Central, Hong Kong.

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 statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of presentation

This unaudited condensed consolidated financial information for the Period has been prepared to comply with the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial information for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 Significant accounting policies

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

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the 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 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 unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 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 and all non-current assets of the Group were located in PRC.

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC	77,229	85,856	218,780	238,304
Pakistan	14,862	12,633	40,156	44,499
India	6,439	5,554	17,902	20,658
United Arab Emirates	2,389	4,389	8,672	10,491
Turkey	1,083	2,314	5,212	6,454
Malaysia	780	621	3,868	2,918
Other countries	16,980	11,937	37,608	50,651
	119,762	123,304	332,198	373,975



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	667	722	1,021	1,462
Rental income	1,636	851	2,313	899
Government grants income including amortisation of deferred government grants	1,462	488	2,664	727
Foreign exchange difference, net	56	92	1,913	(568)
Fixed assets write-off	(1,509)	(420)	(1,909)	(420)
Others	10	10	89	40
	2,322	1,743	6,091	2,140

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 Operating profit

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Operating items				
Impairment losses of trade and other receivables	-	-	308	411
Depreciation and amortisation	6,713	5,787	20,469	14,760
Auditor's remuneration – audit service	311	142	720	708



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Income tax expense/(credit)

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current income tax	7	(1,593)	76	(294)
Deferred income tax	145	788	193	1,545
	152	(805)	269	1,251

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 effective on 1 January 2008.

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 (the Corresponding Period: 15%).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 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 September		Nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (RMB'000)	4,226	1,946	6,871	11,605
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)	0.85	0.39	1.37	2.32

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

10 Dividends

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



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 was summarised in note 24 to the consolidated financial statements for the year ended 31 December 2021.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by 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 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 September 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

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

Notes:

- (1) These 322,760,000 shares comprise (i) 82,810,000 shares held directly 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 as at 30 September 2022.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, none of the Directors or the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 September 2022, 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 owner	239,950,000 shares (L)	47.99%
Mr. Sheng	Beneficial owner and interest in controlled corporation	322,760,000 shares (L)	64.55%
Ms. Chen Deqin ^(Note 2)	Interest of spouse	322,760,000 shares (L)	64.55%

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.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person or corporation (other than the 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 September 2022, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS’ SECURITIES TRANSACTIONS

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



OTHER INFORMATION

CORPORATE GOVERNANCE

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

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

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sheng holds both positions. Mr. Sheng has been primarily responsible for overseeing the Group's overall management and strategic development of the Group and major decision-making of the Group since July 1993. Taking into account the continuation of management and the implementation of business strategies, the Directors consider that it is most suitable for Mr. Sheng to hold both the positions of chief executive officer and the chairman of the Board and the present arrangements are beneficial and in the interests of the Company and its shareholders as a whole. Accordingly, the Company has not segregated the roles of the chairman and chief executive officer as required by 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 Rule 5.28 and Rule 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 on the Group's draft annual reports and accounts, half year reports and quarterly reports to the Board.

OTHER INFORMATION

The unaudited condensed consolidated results of the Group for the Period have not been audited by the auditors of the Company but have been reviewed by the audit committee and the audit committee is of the view that such report 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 November 2022

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

Executive Directors

Mr. Sheng Yingming (*Chairman and Chief Executive Officer*)
Mr. Fang Xu
Ms. Sheng Sainan

Independent Non-executive Directors

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