



SHENGLONG

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**SHENGLONG SPLENDECOR
INTERNATIONAL LIMITED**

盛龍錦秀國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)



2023
Third Quarterly
Report

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

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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 2023 (the “Period”) was approximately RMB383.3 million, representing an increase of approximately 15.4% as compared to the nine months ended 30 September 2022 (the “Corresponding Period”).
- Gross profit for the Period was approximately RMB94.9 million, representing an increase of approximately 37.7% as compared to the Corresponding Period.
- Profit attributable to owners of the Company for the Period was approximately RMB18.4 million, representing an increase of approximately 167.3% as compared to the Corresponding Period.
- Basic earnings per share for the Period amounted to approximately RMB3.67 cents while basic earnings per share for the Corresponding Period amounted to approximately RMB1.37 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 RMB383.3 million, representing an increase of approximately 15.4% over 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 17.0% over the Corresponding Period, which was mainly derived from the increase in demand of Pakistan, India and United Arab Emirates. The demand from PRC customers remained strong and also recorded an increase of approximately 14.6% 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 RMB25.2 million or approximately 9.6%, from approximately RMB263.3 million for the Corresponding Period to approximately RMB288.5 million for the Period, which was primarily due to 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.

Gross profit and gross profit margin

The Group’s gross profit increased by approximately RMB26.0 million, or approximately 37.7%, from approximately RMB68.9 million for the Corresponding Period to approximately RMB94.8 million for the Period, primarily due to the corresponding increase in the Group’s revenue during the Period. During the Period, the prices of production materials remain stable and the production efficiency was improved as cost-efficient measures taken by the Company had achieved favorable results, which led to an increase in the gross profit margin for the Period to approximately 24.7% (the gross profit margin for the Corresponding Period: 20.7%).





MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses decreased by approximately RMB0.9 million or 4.0% from approximately RMB22.9 million for the Corresponding Period to approximately RMB22.0 million for the Period. The decrease was primarily attributable to the decrease in licensing fee incurred due to decrease in sale of relevant licensed products during the Period which was set off by the increase in exhibition expenses as more trade exhibitions and trade fairs were held during the Period.

Administrative expenses

The administrative expenses for the Period increased by approximately RMB11.9 million or 31.5% from approximately RMB37.8 million for the Corresponding Period to approximately RMB49.7 million for the Period. The increase was mainly attributable to (i) the increase in the depreciation and amortisation expenses upon the completion of the new factory building; (ii) the increase in entertainment expenses resulting from the needs to maintain relationship with business partners; and (iii) the increase in repair and maintenance expenses due to the ancillary renovation work of the factory buildings.

Other income and other gains – net

The Group's other income and other gains – net decreased by approximately RMB0.4 million or 5.6% from approximately RMB6.1 million for the Corresponding Period to approximately RMB5.7 million for the Period, primarily due to the decrease in government grants income and rental income.

Finance expenses – net

The Group's finance expenses – net increased by approximately RMB0.7 million or 11.2% from approximately RMB7.1 million for the Corresponding Period to approximately RMB7.8 million for the Period. This was primarily due to the increase in interest expenses attributable to the increase in the amount of bank borrowings.

Income tax expense

The income tax expense increased significantly from approximately RMB0.3 million for the Corresponding Period to approximately RMB2.6 million for the Period, which was due to the increase in profit before 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 RMB18.4 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

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 2023, the Group had 375 employees (31 December 2022: 347 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 2023, 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 2023 (31 December 2022: Nil).





MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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. However, the global business environment is consistently challenging in the short run and the geopolitical uncertainties have brought increased challenges to the Group.

The Group will further improve its operational efficiency and achieve better quality control by adopting advanced technologies. The Group has been actively adopting and enhancing flexible strategies in its production process, supply chains, logistics and marketing to maintain its competitive position among decorative printing materials manufacturers. The Group will keep evaluating its manufacturing technique and equipment to maintain its production capacity and flexibility. Meanwhile, the Group is seeking for continuous optimisation in quality control measure and procedure to maintain its product quality and customer satisfaction. The Group is also committed to enhancing its research and development capabilities, and optimising its product mix, color pattern and specification. The Group will continue to allocate sufficient resources to R&D, enhancement of product quality and development of new products, materials, models and features, as well as to explore new markets, increase production efficiency and conduct staff training for the purpose of maintaining the safety standards and competitiveness of its products and, ultimately, enhancing its profitability. 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.

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 2023 together with the comparative figures for the corresponding periods as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	5	153,872	119,762	383,330	332,198
Cost of sales		(114,360)	(94,019)	(288,472)	(263,319)
Gross profit		39,512	25,743	94,858	68,879
Selling expenses		(6,731)	(6,530)	(21,960)	(22,876)
Administrative expenses		(20,375)	(14,761)	(49,791)	(37,870)
Other income and other gains – net	6	3,202	2,322	5,749	6,091
Operating profit	7	15,608	6,774	28,856	14,224
Finance income		24	41	56	421
Finance expenses		(1,877)	(2,437)	(7,930)	(7,505)
Finance expenses – net		(1,853)	(2,396)	(7,874)	(7,084)
Profit before income tax		13,755	4,378	20,982	7,140
Income tax expense	8	(2,324)	(152)	(2,618)	(269)
Profit for the period		11,431	4,226	18,364	6,871
Profit attributable to:					
– Owners of the Company		11,431	4,226	18,364	6,871
Earnings per share for profit attributable to owners of the Company for the period					
– Basic and diluted	9	RMB cents 2.29	RMB cents 0.85	RMB cents 3.67	RMB cents 1.37



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2023

	Three months ended 30 September		Nine months ended 30 September	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period	11,431	4,226	18,364	6,871
Other comprehensive expenses Items that may be reclassified to profit or loss				
Currency translation differences	(12)	(1,196)	1,838	(2,222)
Other comprehensive expenses for the period, net of tax	(12)	(1,196)	1,838	(2,222)
Total comprehensive income for the period	11,419	3,030	20,202	4,649
Total comprehensive income for the period attributable to:				
– Owners of the Company	11,419	3,030	20,202	4,649

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	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

	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 2023	4,253	100,027	122,875	227,155
Comprehensive income				
Profit for the period	-	-	18,364	18,364
Other comprehensive expenses				
Currency translation differences	-	1,838	-	1,838
Total comprehensive income	-	1,838	18,364	20,202
Balance at 30 September 2023	4,253	101,865	141,239	247,357

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 P.O. 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 2022, 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 2022, 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 2023.

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 2022.





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, the 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 and all non-current assets of the Group were located in the 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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
PRC	98,114	77,229	250,638	218,780
Pakistan	25,676	14,862	52,784	40,156
India	9,396	6,439	23,503	17,902
United Arab Emirates	2,766	2,389	12,010	8,672
Turkey	2,086	1,083	4,511	5,212
Malaysia	1,019	780	3,170	3,868
Other countries	14,815	16,980	36,714	37,608
	153,872	119,762	383,330	332,198

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	1,151	667	1,203	1,021
Rental income	1,260	1,636	1,985	2,313
Government grants income including amortisation of deferred government grants	481	1,462	534	2,664
Foreign exchange difference, net	394	56	2,009	1,913
Fixed assets write-off	(254)	(1,509)	(254)	(1,909)
Others	170	10	272	89
	3,202	2,322	5,749	6,091





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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Operating items				
Impairment losses of trade and other receivables	-	-	280	308
Depreciation and amortisation	9,899	6,713	27,602	20,469
Auditor's remuneration – audit service	151	311	562	720

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current income tax	2,238	7	2,360	76
Deferred income tax	86	145	258	193
	2,324	152	2,618	269

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 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 (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	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Profit attributable to owners of the Company (RMB'000)	11,431	4,226	18,364	6,871
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)	2.29	0.85	3.67	1.37

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 2022.

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 2023, 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 (Note 2)
Mr. Sheng Yingming ("Mr. Sheng") ^(Note 1)	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 2023.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2023, 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 2023, 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 2023, 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 2023, 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, 9 November 2023

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