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**

SHARE OFFER

Sole Sponsor

MESSIS 大有融資

Joint Bookrunners and Joint Lead Managers

鼎成證券有限公司
GRANSING SECURITIES CO., LIMITED

ASTRUM

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

SHENGLONG SPLENDECOR INTERNATIONAL LIMITED
盛龍錦秀國際有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	125,000,000 Shares
Number of Placing Shares	:	112,500,000 Shares (subject to reallocation)
Number of Public Offer Shares	:	12,500,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK$0.80 per Offer Share and not less than HK$0.55 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund)
Nominal value	:	HK$0.01 per Share
Stock code	:	8481

Sole Sponsor

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Joint Bookrunners and Joint Lead Managers

鼎成證券有限公司 GRANSING SECURITIES CO., LIMITED

ASTRUM

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out under the section headed "Risk factors" in this prospectus.

The Offer Price is currently expected to be fixed by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 11 July 2017. The Offer Price will be not more than HK$0.80 and is currently expected to be not less than HK$0.55 unless otherwise announced. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.splendecor.com. The Joint Bookrunners may with the prior consent of our Company reduce the indicative Offer Price range below such indicative Offer Price range as stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.splendecor.com.

Prospective investors of the Offer Shares should note that the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are entitled to terminate the Underwriting Agreements by giving a notice in writing to our Company if certain circumstances arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such circumstances are set out under the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus. It is important that you carefully read such section for further details.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

30 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

If there is any change in the following expected timetable, we will issue an announcement on the website of the Company at ***www.splendecor.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk.***

	2017
Application lists for Public Offer open *(Note 2)*	11:45 a.m. on Thursday, 6 July
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, 6 July
Latest time for giving **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Thursday, 6 July
Application lists for Public Offer close *(Note 2)*	12:00 noon on Thursday, 6 July
Expected Price Determination Date on or about *(Note 3)*	Tuesday, 11 July
Announcement of the final Offer Price, indication of the level of interest in the Placing, the level of applications of the Public Offer, the basis of allocation of the Public Offer Shares to be published in our Company's website at **www.splendecor.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Friday, 14 July
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at **www.splendecor.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please see the section headed "How to apply for Public Offer Shares — 10. Publication of results" of this prospectus) on or before	Friday, 14 July
Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Friday, 14 July
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or about *(Note 6, Note 7, Note 8 & Note 9)*	Friday, 14 July
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or about *(Note 5, Note 6, Note 7, Note 8 & Note 10)*	Friday, 14 July
Dealings in Shares on GEM expected to commence at 9:00 a.m. on	Monday, 17 July

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017, the application lists will not open on that day. For further details, please see the section headed "How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists" in this prospectus.

3. The Price Determination Date is expected to be on or about Tuesday, 11 July 2017. If, for any reason, the Offer Price is not agreed on or before Tuesday, 11 July 2017 between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.

4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

5. Share certificates for the Public Offer Shares are expected to be issued on or about Friday, 14 July 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 17 July 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and have provided all information required may collect their refund cheques (if applicable) and/or Share certificates (if applicable) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Friday, 14 July 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

   Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants who are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

8. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies" in this prospectus.

9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$0.80 per Offer Share.

10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents on our Company's website at www.splendecor.com do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised under the section headed "Risk Factors" in this prospectus. You should read such section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined under the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

Established in 1993 in the PRC, we principally engage in the manufacture and sales of decorative printing materials products which comprise of:

(i) decorative paper;

(ii) melamine impregnated paper;

(iii) finish foil paper;

(iv) PVC furniture film; and

(v) PVC flooring film.

During the Track Record Period, we also manufactured small amount of laminated board and plate rollers on demand by our customers.

Our decorative paper, melamine impregnated paper, finish foil paper and PVC decorative film products can be applied on both the manufacturing of furniture and flooring. During the Track Record Period, sales of decorative paper accounted for approximately 73.0%, 77.5% and 72.9% of our revenue, whereas sales of finish foil paper and melamine impregnated paper accounted for approximately 13.5%, 10.2%, 7.9% and 10.3%, 7.9%, 9.6%, respectively. The aggregate sales of our PVC decorative film products, laminated board and plate rollers accounted for the rest of our revenue. For breakdown of the sales of our decorative printing materials products, please refer to the paragraph headed "Our Products" under the section headed "Business" on pages 119 to 122 of this prospectus.

During the Track Record Period, we sold our decorative printing materials products to over 30 countries and our principal markets included Pakistan, the PRC, India and other overseas markets. We export our products to our overseas customers which accounted for approximately 58.8%, 69.0% and 65.3% of our total revenue for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively. For the PRC market, our sales accounted for approximately 41.2%, 31.0% and 34.7% of our total revenue during the Track Record Period. Our customers mainly comprised of manufacturers of furniture and flooring and trading entities including trading companies. As at the Latest Practicable Date, we engaged sales agents in six of our overseas markets, such as Pakistan and Turkey, to locate new customers and liaise with existing customers. We signed contracts directly with the end customers. We usually paid our sales agents a commission based on either the sales amount or sales volume as purchased by the end customers they referred.

COMPETITIVE STRENGTHS

We believe our success and our potential for further growth are attributable to, among other things, the following competitive strengths:

- Our advanced production facilities and comprehensive production process contribute to our success
- Our product development capabilities enable us to improve and enhance our products
- We have an experienced and dedicated management team with extensive industry experience

For details, please refer to the paragraph headed "Our Competitive Strengths" under the section headed "Business" on pages 105 to 106 of this prospectus.

BUSINESS STRATEGIES

Our goal is to become one of the leading decorative printing materials manufacturers in the PRC. We intend to achieve this objective by implementing the following strategies:

- Enhance our production facilities
- Increase and develop our market share in the PRC and overseas markets
- Strengthen our product design and development capabilities and optimise our product offerings

For details of our business strategies, please refer to the paragraph headed "Our Business Strategies" under the section headed "Business" on pages 106 to 116 of this prospectus.

PRICING

When pricing our products, we take into account various factors such as production cost, prices of raw materials, quantity, quality, the innovativeness of our products, prices of our competitors, our product positioning and our Group's position in the market. For details of our pricing policy, please refer to the paragraph headed "Pricing" under the section headed "Business" on pages 144 to 145 of this prospectus.

CUSTOMERS AND SUPPLIERS

Through our 23 years of experience in the industry, we had served over 500, 400 and 500 customers for each of the three years ended 31 December 2016 respectively. For the years ended 31 December 2014, 31 December 2015 and 31 December 2016, the revenue from our five largest customers accounted for approximately 20.7%, 26.3% and 26.0% of our total revenue, respectively, and our largest customer accounted for approximately 7.9%, 11.1% and 10.2% of our total revenue, respectively. For details of our five largest customers, please refer to the paragraph headed "Our Customers" under the section headed "Business" on pages 142 to 144 of this prospectus.

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016, the aggregate cost incurred for purchases from our largest supplier accounted for approximately 33.7%, 28.1% and

28.2%, respectively, whereas our costs incurred for purchases from our five largest suppliers in aggregate amounted to approximately 68.6%, 71.3% and 68.1%, respectively. For details of our five largest suppliers, please refer to the paragraph headed "Our Suppliers" under the section headed "Business" on pages 133 to 134 of this prospectus.

During the Track Record Period, we had product sales to customers or consignees in (i) certain Sanctioned Countries, namely Afghanistan, Belarus, Ukraine, Iran and Syria and (ii) Russia and Egypt. As advised by our International Sanctions Legal Adviser as to International Sanctions, Russia and Egypt are not subject to comprehensive sanctions adopted by the U.S., the E.U., Australia or the U.N.. International Sanctions targeting Russia and Egypt, like those targeting Afghanistan and Belarus, prohibit or otherwise restrict certain specific types of transactions and activities involving Sanctioned Persons. During the three years ended 31 December 2016, we derived approximately 1.8%, 2.0% and 0.4% respectively of our total revenue from sales to customers or consignees in Afghanistan, Belarus, Ukraine, Iran and Syria. We ceased our business activities in connection with such Sanctioned Countries, Russia and Egypt as from September 2016. As advised by International Sanctions Legal Adviser, our Group's sales to customers or consignees in the Afghanistan, Belarus, Ukraine, Iran, Syria, Russia and Egypt during the Track Record Period do not constitute violations of any International Sanctions and do not implicate relevant sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. For details of our business activities in Sanctioned Countries, Russia and Egypt, please refer to the paragraph headed "Business activities in Sanctioned Countries, Russia and Egypt" under the section headed "Business".

COMPETITIVE LANDSCAPE

According to the Industry Report, the market concentration of the PRC decorative printing materials products industry is relatively low and fragmented. In the PRC, there are a large number of decorative printing materials enterprises with relatively small scale. In 2014, Lin'an City, the base of the PRC decorative printing materials products industry, recorded sales volume of decorative printing materials of approximately 307,000 tonnes, accounting for approximately 39.0 % of the total sales in the PRC, in which there were only seven enterprises with over RMB100 million of sales. In 2015, Lin'an City recorded sales volume of decorative printing materials of approximately 318,000 tonnes, accounting for approximately 40.0% of the total sales volume in the PRC. According to the Industry Report, we ranked third and captured approximately 1.7%, 1.6% and 1.6% of the PRC decorative printing material market for three years ended 31 December 2016 in terms of sales volume. For details of our competitive landscape, please refer to the section headed "Industry Overview" on pages 67 to 69 of this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the Track Record Period:

	For the year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Results of operations			
Revenue	238,863	216,598	248,773
Gross Profit	52,717	45,158	71,796
Profit before income tax	15,423	5,989	24,890
Profit for the year	12,916	5,319	20,731
Profit for the year, excluding listing expenses(*Note 1*)	**13,747**	**8,923**	**27,770**

	For the year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales:			
Direct materials	161,931	143,443	147,325
Direct labour costs	10,140	11,921	12,532
Depreciation and amortisation	6,021	8,554	8,890
Utilities	5,838	5,361	6,030
Other manufacturing costs	1,870	1,682	2,157
Repair and maintenance	254	384	113
Inventory write-down/(write-back)	92	95	(70)
Total	186,146	171,440	176,977
Financial position			
Non-current assets	180,089	185,846	178,969
Current assets	162,226	152,665	154,259
Non-current liabilities	41,622	51,896	53,796
Current liabilities	227,175	204,772	189,317
Net current liabilities	64,949	52,107	35,058
Total equity	73,518	81,843	90,115
Cash flows			
Net cash generated from operating activities before changes in working capital and tax paid	30,631	22,626	42,640
Net cash generated from operating activities	12,226	15,710	34,653
Net cash (used in)/generated from investment activities	(27,449)	3,644	2,041
Net cash generated from/(used in) financing activities	17,635	(16,037)	(34,657)
Key financial ratios			
Current ratio	0.71 times	0.75 times	0.81 times
Quick ratio	0.56 times	0.59 times	0.62 times
Gearing ratio*(Note 2)*	1.77	1.50	1.17
Interest coverage	3.72 times	2.29 times	7.64 times
Return on assets	3.77%	1.57%	6.22%
Return on equity	17.57%	6.50%	23.01%
Gross profit margin	22.07%	20.85%	28.86%
Net profit margin	5.41%	2.46%	8.33%
Stock turnover days	69.2 days	71.5 days	71.0 days
Trade receivables turnover days	58.6 days	64.2 days	67.8 days
Trade payables turnover days	70.4 days	83.2 days	84.6 days

Note 1: this item is a non-IFRS financial data.

Note 2: Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.

As at 31 December 2014, 2015 and 2016, we had net current liabilities of approximately RMB64.9 million, RMB52.1 million and RMB35.1 million respectively. Our net current liabilities positions as of 31 December 2014, 31 December 2015 and 31 December 2016 was mainly attributable to the short-term borrowings and current portion of long-term bank borrowings of approximately

RMB89.8 million, RMB72.7 million and RMB53.2 million, respectively, mainly for the purchase of machines and equipment and construction of the Yangdai Factory. Our profit for the year increased from RMB5.3 million for the year ended 31 December 2015 to RMB20.7 million for the year ended 31 December 2016 and our net cash from operating activities increased from RMB15.7 million for the year ended 31 December 2015 to RMB34.7 million for the year ended 31 December 2016.

The gross profit margin increased from approximately 20.85% for the year ended 31 December 2015 to approximately 28.86% for the year ended 31 December 2016. The increase was, among others, particularly due to (i) sharp increase in sales of our PVC decorative film products because (a) we secured two new customers during 2015 for our PVC flooring film products and we recorded increased orders from them during 2016; and (b) following the strengthening of our manpower in our sales department of PVC decorative film products and our enhanced promotion effort, we recorded increased orders from our existing customers during 2016; (ii) the decrease in average cost of chemicals used for our production as we utilised higher portion of self-produced printing ink for the printing of our products; and (iii) we were able to maintain relatively stable prices of our decorative paper and melamine inpregnated paper, with the average selling price in 2016 decreased by approximately 3.2% and 5.7%, respectively, as compared with that of 2015 despite we experienced a decrease in purchase costs of base paper, the major raw materials for our production, by approximately 8.7% in 2016, as compared with that of 2015. For details of our gross profit margin, please refer to the paragraph headed "Gross profit and gross profit margin" under the section headed "Financial Information" in this prospectus.

Our Group plans to use its continuous cash inflow from operation to improve our net current liabilities position. In addition, our Group plans to reduce its reliance on the bank borrowings, although they are expected to be renewed if our Group applies for the renewal. We recorded a drop of balance of bank borrowings from RMB122.7 million as at 31 December 2015 to RMB105.2 million as at 31 December 2016. Moreover, in accordance with note 2 to the Accountant's Report set out in Appendix I to this prospectus, all the Group's lending banks have advised their intention in writing, though not legally binding, to have the existing uncommitted facilities be available at the current terms for the period till 30 June 2018, and there is no indication that the banks will not renew the existing short-term borrowings if our Group applies for the renewal. Furthermore, our Directors plan to use the estimated net proceeds, which amounted to RMB46.7 million based on the Offer Price of HK$0.675, being the mid-point of the indicative range of the Offer Price stated in this prospectus, to enhance our Group's capital structure. With the internal resources available to us and the estimated net proceeds from the Share Offer, we expect our net current liabilities position will be improved after the Listing. Please refer to the paragraph headed "Net Current Liabilities" under the section headed "Financial Information" for our plan to improve our net current liabilities position on page 221 to 222 of this prospectus.

Please also refer to the section headed "Financial Information" on pages 192 to 244 of this prospectus for a further discussion and analysis of our financial information.

Breakdown of sales by product

The table below sets forth the breakdown of the sales of our products during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Decorative paper	174,240	73.0	167,752	77.5	181,237	72.9
Melamine impregnated paper	24,686	10.3	17,212	7.9	23,898	9.6
Finish foil paper	32,253	13.5	22,217	10.2	19,747	7.9
PVC furniture film	—	—	632	0.3	4,187	1.7
PVC flooring film	7,512	3.1	8,614	4.0	18,918	7.6
Others *(Note)*	172	0.1	171	0.1	786	0.3
Total	238,863	100.0	216,598	100.0	248,773	100.0

Note: Others mainly include laminated board and plate rollers.

Breakdown of sales volume, average selling price and gross profit margin by major products

The table below sets forth the breakdown of the sales volume, average selling price and gross profit margin by major products during the Track Record Period:

	For the year ended 31 December								
	2014			2015			2016		
	Sales volume *'000*	**Average selling price** *RMB*	**Gross profit margin**	**Sales volume** *'000*	**Average selling price** *RMB*	**Gross profit margin**	**Sales volume** *'000*	**Average selling price** *RMB*	**Gross profit margin**
Decorative paper/tonnes	10.8	16,203	22.0%	10.6	15,860	21.7%	11.8	15,360	29.9%
Melamine impregnated paper/pieces	2,951.8	8.4	16.7%	1,984.4	8.7	17.4%	2,903.4	8.2	19.1%
Finish foil paper/metres	28,289.8	1.14	22.9%	18,784.7	1.18	16.0%	16,108.2	1.23	21.4%
PVC furniture film/metres	Nil	Nil	Nil	79.5	8.0	1.0%	491.0	8.5	39.8%
PVC flooring film/metres	2,185.3	3.4	37.6%	2,596.8	3.3	26.2%	5,434.8	3.5	37.9%

Breakdown of revenue by geographical locations

Set forth below is a breakdown of our Group's revenue by geographical locations during the Track Record Period:

	For the year ended 31 December								
Ranking	2014			2015			2016		
		RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*
1	The PRC	98,353	41.2	Pakistan	84,916	39.2	Pakistan	89,331	35.9
2	Pakistan	70,640	29.6	The PRC	67,119	31.0	The PRC	86,293	34.7
3	India	20,817	8.7	India	19,518	9.0	India	18,045	7.3
4	Kenya	9,272	3.9	Kenya	7,651	3.5	Kenya	9,168	3.7
5	Thailand	3,733	1.5	Thailand	3,993	1.8	Thailand	7,776	3.1
	Others*(Note 1)*	36,048	15.1	Others*(Note 1)*	33,401	15.5	Others*(Note 1)*	38,160	15.3
	Total*(Note 2)*	238,863	100.0	Total*(Note 2)*	216,598	100.0	Total*(Note 2)*	248,773	100.0

Note:

1. Others include other countries in Asia, North America, South America, Europe, Oceania and Africa.

2. For the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, approximately 1.8%, 2.0% and 0.4%, of our total revenue, respectively, was attributed to sales to customers or consignees in Afghanistan, Belarus, Ukraine, Iran and Syria. We ceased our sales to these Sanctioned Countries as from September 2016.

Breakdown of sales volume, average selling price and gross profit margin by major geographical locations

The table below sets forth the breakdown of the sales volume, average selling price and gross profit margin by major geographical locations during the Track Record Period:

	For the year ended 31 December								
	2014			2015			2016		
	Sales volume '000	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*
The PRC			28.3%			25.8%			34.5%
- Decorative paper/tonnes	2.7	19,767.0		2.0	19,614.2		2.1	19,217.0	
- Finish foil paper/metres	19,068	1.0		9,206	1.0		6,352	1.1	
- Melamine impregnated paper/pieces	2,163	8.1		1,276	8.4		1,969	7.6	
- PVC furniture film/metres	—	—		82	8.0		452	8.5	
- PVC flooring film/metres	2,225	3.4		2,663	3.3		5,394	3.5	
Pakistan			5.9%			11.0%			15.7%
- Decorative paper/tonnes	5.0	13,894.4		5.7	13,928.3		6.5	12,804.9	
- Finish foil paper/metres	3,922	1.3		4,996	1.4		5,149	1.1	

	For the year ended 31 December								
	2014			2015			2016		
	Sales volume '000	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*
- Melamine impregnated paper/pieces	—	—		—	—		—	—	
- PVC furniture film/metres	—	—		2	14.0		—	—	
- PVC flooring film/metres	—	—		—	—		—	—	
India			26.9%			27.8%			38.0%
- Decorative paper/tonnes	1.2	16,962.3		1.1	17,117.7		1.0	17,384.2	
- Finish foil paper/metres	47	1.1		9	1.4		20	1.6	
- Melamine impregnated paper/pieces	—	—		—	—		—	—	
- PVC furniture film/metres	—	—		—	—		—	—	
- PVC flooring film/metres	—	—		—	—		—	—	

During the Track Record Period, Pakistan and the PRC markets were our largest markets. Pakistan market contributed revenue of approximately RMB70.6 million, RMB84.9 million and RMB89.3 million for the three years ended 31 December 2016, respectively, and accounted for approximately 29.6% 39.2% and 35.9% of our total revenue, respectively. Such increase was mainly due to the increase in sale amounts from our customers in Pakistan along with the increase in demand of our products from our customers along with the expanding decorative papers market in Pakistan, during the Track Record Period. Our revenue derived from the PRC market amounted to approximately RMB98.4 million, RMB67.1 million and RMB86.3 million for the three years ended 31 December 2016, respectively, and accounted for approximately 41.2%, 31.0% and 34.7% of our total revenue, respectively. Our Directors confirmed that it is our business strategy to further increase revenue contribution from Pakistan and other overseas markets.

Breakdown of sales by type of customers

The table below sets forth the breakdown of the sales by type of customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Sale RMB'000	*Gross profit margin*	*Sale RMB'000*	*Gross profit margin*	*Sale RMB'000*	*Gross profit margin*
Manufacturers of furniture and flooring	224,285	23.1%	204,581	21.7%	234,183	29.2%
Trading entities	14,578	6.1%	12,017	7.5%	14,590	23.4%
Total	238,863	22.1%	216,598	20.8%	248,773	28.9%

For the three years ended 31 December 2016, among our sales to the two major types of customer above, approximately a total of RMB75.7 million, RMB89.1 million and RMB96.1 million of sales were derived through referrals from sales agents, of which approximately RMB68.7 million, RMB82.1 million and RMB89.6 million were derived from our sales to manufacturers of furniture and flooring customers, and approximately RMB7.0 million, RMB7.0 million and RMB6.5 million were derived from our sales to trading entities customers.

The utililsation rate of our existing production lines

The following table sets forth the estimated production capacity and utilisation rate during the Track Record Period:

	Year ended 31 December 2014			Year ended 31 December 2015			Year ended 31 December 2016		
	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*
	'000	*'000*	*%*	*'000*	*'000*	*%*	*'000*	*'000*	*%*
Decorative paper/tonne	15.1	11.5	76.1	15.1	11.3	74.8	14.2	12.4	87.3
Finish foil paper/metre	33,368.4	28,030.0	84.0	26,395.2	19,055.7	72.2	26,395.2	15,896.7	60.2
Melamine impregnated paper/piece	4,356.7	2,976.8	68.3	4,356.7	2,002.3	46.0	4,356.7	3,055.5	70.1
PVC furniture film/metre *(Note 3)*	N/A	N/A	N/A	1,895.0	90.2	4.8	1,895.0	575.8	30.4
PVC flooring film/metre	7,542.9	2,171.5	28.8	11,857.5	2,723.7	23.0	12,943.8	5,440.0	42.0

Notes:

1. For illustrative purposes only, the estimated capacity of our production facilities is measured in terms of the estimated quantity of products produced per hour multiplied by estimated working hours (i.e. 12 or 24 hours per day for decorative paper, 12 hour per days for finish foil paper, melamine impregnated paper and PVC flooring film and 8 hours per day for PVC furniture film) (after deducting the estimated set up time (comprising mainly the time required for change of plate rollers and colour tone adjustments) in the optimal conditions and excluding the time spent on pre-print and post-print processes) of each of the production line per day (assuming no overtime works) and 365 days per year (taking into account the statutory and public holidays in the PRC and our normal maintenance schedule), during the relevant period. As the number of print orders increases, it will involve more frequent change of plate rollers and colour tone adjustments from one production run to another and hence, will result in longer actual total set-up time for the relevant period. Thus, the above computation only illustrates the estimated capacity of our production lines operating in the optimal conditions.

2. The utilisation rate for each of the three years ended 31 December 2016 is calculated by dividing the actual production of a year by the estimated capacity for that year.

3. PVC furniture film was newly produced and launched to the market in April 2015.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 47.99% by Bright Commerce. Bright Commerce, the principal business of which is investment holding and has not commenced any substantive business activities as at the Latest Practicable Date, is wholly-owned by Mr. Sheng. Since Bright Commerce and Mr. Sheng will individually be entitled to exercise and control more than 30.0% of the entire issued share capital of our Company immediately following the Listing, Bright Commerce and Mr. Sheng currently are, and will be regarded as our Controlling Shareholders upon the Listing. For more information relating to Mr. Sheng, please see the section headed "Directors and senior management" on pages 177 to 186 of this prospectus.

DIVIDENDS

During the years ended 31 December 2014, 2015 and 2016, Shenglong Decoration declared dividends of RMB15.0 million (which RMB3.8 million are payable to Splendecor Hong Kong), nil and nil, respectively, to its then shareholders. The dividends were fully settled during the year ended 31 December 2016.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting our Group as set forth under the section headed "Risk Factors" on pages 25 to 45 of this prospectus and the cautionary notice regarding forward-looking statements contained under the section headed "Forward-looking Statements" on pages 23 to 24 of this prospectus.

LEGAL COMPLIANCE AND LITIGATION

During the Track Record Period, we did not fully comply with certain laws and regulations in respect of land and building in the PRC. For details, please refer to the paragraph headed "Non-compliance Incidents" under the section headed "Business" on pages 165 to 168 in this prospectus.

LATEST DEVELOPMENT

For the four months ended 30 April 2017, our sales volume for our products were as follows:

Product	Sales volume *(approximately)*	Increase (period-to-period basis) *(approximately)*
Decorative paper	3,773 tonnes	+2.1%
Melamine impregnated paper	2,528,000 pieces	+500.6%
PVC furniture film	223,000 metres	+131.2%
PVC flooring film	1,607,000 metres	+35.5%
Finish foil paper	4,856,000 metres	+25.3%

Subsequent to the Track Record Period and up to 30 April 2017, we sold our decorative printing materials products at a stable average selling price as compared to that of 2016. However, we experienced an increase in purchase costs of our key raw materials, in particular base paper and PVC mould. Since 1 January 2017 and up to 30 April 2017, the average purchase costs of base paper and PVC mould increased by approximately 7.1% and 6.3% as compared to that of 2016, respectively. As a result, we experienced a drop in our gross profit margin and net profit margin for the four months period ended 30 April 2017.

Notwithstanding the recent shrink in our gross profit margin, having considered the increase in our sales volume for the four months ended 30 April 2017, our Directors consider that there had been no material change in our financial or trading position since 31 December 2016 and up to the Latest Practicable Date.

LISTING EXPENSES

Assuming the Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including underwriting commission to be paid to the Underwriters) are estimated to be approximately RMB28.8 million. Approximately RMB8.9 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB19.9 million, which cannot be so deducted, has been or is expected to be recognised in our consolidated statement of profit or loss. Of the approximately RMB19.9 million, approximately RMB0.8 million, RMB3.6 million and RMB7.0 million have been recognised in our consolidated statements of profit or loss for the three years ended 31 December 2016, respectively, and approximately RMB8.5 million is expected to be incurred after 31 December 2016. Expenses in relation to the Listing are non-recurring in nature.

The estimated listing expenses are the latest best estimate for reference only and are subject to adjustment based on the actual amount incurred or to be incurred. Our financial performance for the year ending 31 December 2017 will be affected by the non-recurring listing expenses.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in the paragraph headed "Listing expenses" under the section headed "Financial Information" on page 243 of this prospectus, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2016, being the date to which the latest audited financial statements of our Group were made up.

USE OF PROCEEDS

Based on the Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.55 to HK$0.80 per Offer Share, we will receive gross proceeds of approximately HK$84.4 million. All expenses (including underwriting commission to be paid to the

Underwriters) in connection with the Listing are estimated to amount to approximately HK$32.2 million. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting commission to be paid to the Underwriters), of approximately HK$52.2 million from the Share Offer. We intend to apply such net proceeds as follows:

	From the Latest Practicable Date to 31 December 2017 *(HK$ million)*	For the six months ending 30 June 2018 *(HK$ million)*	31 December 2018 *(HK$ million)*	30 June 2019 *(HK$ million)*	31 December 2019 *(HK$ million)*	Total *(HK$ million)*	Approximate % of the total net proceeds
Enhancing on production capacity	31.6	0.3	5.6	—	—	37.5	71.8%
Repayment of bank loans	10.0	—	—	—	—	10.0	19.2%
General working capital	1.2	1.2	1.2	1.1	—	4.7	9.0%
	42.8	1.5	6.8	1.1	—	52.2	100%

Our Directors consider that the net proceeds from the issue of the Offer Shares of approximately HK$52.2 million and our internal resources will be sufficient to finance our business plans as schedule up to the year ending 31 December 2019. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing.

Please refer to the section headed "Business Objectives and Future Plans" on pages 245 to 249 of this prospectus for details of our business plans.

SHARE OFFER STATISTICS

	Based on the Offer Price of HK$0.55 per Offer Share	Based on the Offer Price of HK$0.80 per Offer Share
Market Capitalisation of the Shares *(Note 1)*	HK$275 million	HK$400 million
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share *(Note 2)*	HK$0.30	HK$0.36

Notes:

1. The calculation of the market capitalisation of the Shares is based on 500,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share is calculated based on 500,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue after the adjustments as described in notes 1 to 5 as set out in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus.

RISK FACTORS

We summarise below the most material risks to our operations. Prospective investors should refer to all the risk factors which may affect your investment decision in relation to the Share Offer as set out under the section headed "Risk Factors" on pages 25 to 45 of this prospectus.

- Our business, financial condition and results of operations may be affected by the decrease and/or loss of overseas markets
- We rely on our sales agents for reaching new customers and liaising with existing customers. Our failure to effectively manage our sales agents and maintain a good relationship with them may materially and adversely affect our revenue and brand recognition
- Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability
- We do not enter into long-term supply contracts with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply
- If we are unable to maintain existing level of utilisation rates at our production facilities, our margins and profitability may be materially and adversely affected

In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires. Certain other terms are explained in "Glossary of Technical Terms" in this prospectus.

"Accountant's Report"	the accountant's report of our Group prepared by the Reporting Accountant set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any person, any other person(s) directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
"Afghanistan"	the Republic of Afghanistan
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 22 June 2017 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Belarus"	the Republic of Belarus
"Board" or "our Board"	the board of Directors
"Bright Commerce"	Bright Commerce Investment Limited, a company incorporated in the BVI with limited liability on 17 July 2013 and is wholly-owned by Mr. Sheng
"business day"	a day on which licensed banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 275,000,000 new Shares to be made upon completion of capitalisation of certain sum standing to the credit of the share premium account of our Company referred to in the paragraph headed "Written resolutions of our Shareholders passed on 22 June 2017" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant(s)"	a person(s) admitted to participate in CCASS as a direct clearing participant(s) or a general clearing participant(s)
"CCASS Custodian Participant(s)"	a person(s) admitted to participate in CCASS as a custodian participant(s)
"CCASS Investor Participant(s)"	a person(s) admitted to participate in CCASS as an investor participant(s), who may be an individual or joint individuals or a corporation(s)
"CCASS Participant(s)"	a CCASS Clearing Participant(s), a CCASS Custodian Participant(s) or a CCASS Investor Participant(s)
"Century Frontier"	Century Frontier International (USA) Inc., a company incorporated in the U.S. on 19 August 1999
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"CNNIC"	China Internet Network Information Center (中國互聯網絡信息中心)
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time on or after 3 March 2014
"Company" or "our Company"	SHENGLONG SPLENDECOR INTERNATIONAL LIMITED (盛龍錦秀國際有限公司, formerly known as Splendecor International Limited 盛龙国际有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 25 July 2013, and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which was subsequently assumed by it
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company for the purposes of this prospectus, unless the context requires otherwise, means the controlling shareholders of our Company, namely Bright Commerce and Mr. Sheng
"core connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Co-Managers"	collectively China Jianxin Financial Services Limited, Innovax Securities Limited, Huabang Securities Limited and Quasar Securities Co., Limited
"Deed of Indemnity"	the deed of indemnity dated 22 June 2017 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), further information of which is set out under the section headed "E. — Other information — 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 22 June 2017 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), further information of which is set out under the section headed "Relationship with the Controlling Shareholders" in this prospectus
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dongshan Factory"	factory properties located in Dongshan village (東山村), Lin'an City (臨安市), Zhejiang Province (浙江省), the PRC, comprising a parcel of land (with a total site area of approximately 12,000.9 sq.m.) and three buildings (with a total floor area of approximately 6,902.4 sq.m.). On 13 July 2016, Dongshan Factory was sold to an Independent Third Party
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"E.U."	the European Union
"EUR"	euro, the official currency of the European Union
"GEM"	the Growth Enterprise Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"Haoyu Capital"	Haoyu Capital Limited (昊宇資本有限公司), a company incorporated in the BVI with limited liability on 26 June 2013 and a direct wholly-owned subsidiary of our Company
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Government"	the government of Hong Kong
"Immense Global"	Immense Global Limited, a company incorporated in the BVI with limited liability on 3 January 2014 and wholly-owned by Mr. Wang
"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the connected persons and core connected persons of our Company or any of its subsidiaries or any of their respective associates and close associates
"India"	the Republic of India

"Industry Consultant" or "Yubozhiye"	Beijing Yubozhiye Market Consulting Co., Ltd. (北京宇博智業市場諮詢有限公司), an Independent Third Party, a PRC based professional market research and consulting firm
"Industry Report"	the market research report prepared by the Industry Consultant, details of which are set out under the section headed "Industry Overview" in this prospectus
"International Sanctions"	sanctions related laws and regulations issued, administered and enforced by the United States, the E,U., the U.N. or Australia
"International Sanctions Legal Adviser"	DLA Piper UK LLP
"Jiayou Art"	Hangzhou Jiayou Art Co., Ltd.* (杭州嘉友藝術品有限公司), a company incorporated in the PRC with limited liability on 28 June 2011, an indirect wholly-owned subsidiary of our Company and a direct wholly-owned subsidiary of Shenglong Decoration
"Joint Bookrunners" or "Joint Lead Managers"	Astrum Capital Management Limited and Gransing Securities Co., Limited, being the joint bookrunners and the joint lead managers to the Share Offer
"Labour Law"	the Labour Law of the PRC (中華人民共和國勞動法), which came into effect on 1 January 1995
"Labour Contract Law"	the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which came into effect on 1 January 2008, amended on 28 December 2012 and effective from 1 July 2013
"Latest Practicable Date"	21 June 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein prior to its publication
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares first commence on GEM which is expected to be on Monday, 17 July 2017
"Listing Division"	the listing division of the Stock Exchange
"Longsheng Investment"	Hangzhou Longsheng Investment Co., Ltd.* (杭州龍盛投資有限公司), a company incorporated in the PRC with limited liability on 17 October 2002 and currently wholly-owned by Mr. Sheng

"M&A Rules"	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and re-issued by MOFCOM on 22 June 2009
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"Messis Capital" or "Sole Sponsor"	Messis Capital Limited, the sole sponsor to the Listing and a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"Mr. Fang"	Mr. Fang Xu (方旭), an executive Director, the spouse of Ms. Sheng and the son-in-law of Mr. Sheng
"Mr. Jiang"	Mr. Jiang Guoliang (蔣國良), a director of Shenglong Decoration and a Shareholder
"Mr. Ren"	Mr. Ren Yunan (任煜男), our Substantial Shareholder
"Mr. Sheng"	Mr. Sheng Yingming (盛英明), a founder of our Group, a Controlling Shareholder, chairman of the Board, chief executive officer and an executive Director, the father of Ms. Sheng and the father-in-law of Mr. Fang
"Mr. Wang"	Mr. Wang Huiyong (王慧勇), a Shareholder
"Mr. Yu"	Mr. Yu Zemin (俞澤民), an executive Director
"Ms. Sheng"	Ms. Sheng Sainan (盛賽男), an executive Director, the spouse of Mr. Fang and the daughter of Mr. Sheng
"New Customer A"	one of our new customers which has signed the cooperation agreement with us in August 2016 based in the city of Hangzhou of the PRC
"New Customer B"	one of our new customers which is based in the city of Yuyao of the PRC and has signed a cooperation agreement with us in January 2017

"OFAC"	Office of Foreign Assets Control of the US Department of the Treasury
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$0.80 per Offer Share and not less than HK$0.55 per Offer Share, such price to be determined as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Offer Shares"	collectively, the Placing Shares and the Public Offer Shares
"Pakistan"	the Islamic Republic of Pakistan
"Pioneer Treasure"	Pioneer Treasure Holdings Limited, a company incorporated in the BVI with limited liability on 7 April 2014 and wholly-owned by Mr. Jiang
"Placing"	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Offer Price, as further described under the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	112,500,000 new Shares being offered at the Offer Price for subscription under the Share Offer subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional placing and underwriting agreement relating to the Placing and to be entered into, among others, between the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, and the Placing Underwriters on or about the Price Determination Date
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Government"	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof

"PRC Legal Advisers"	King & Wood Mallesons, our PRC legal advisers
"Price Determination Date"	the date, expected to be on or around Tuesday, 11 July 2017, on which the Offer Price is fixed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)
"Property Valuer"	Peak Vision Appraisals Limited, an Independent Third Party that specialises in property valuation, which prepared the letter, summary of valuations and valuation certificates relating to the properties of our Group, the text of which is set out in Appendix III to this prospectus
"Public Offer"	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed "Structure and conditions of the Share Offer" in this prospectus and the Application Forms
"Public Offer Share(s)"	12,500,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer listed in section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 29 June 2017 relating to the Public Offer entered into, among others, between the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraphs headed "Reorganisation" under the section headed "History, development and Reorganisation" in this prospectus
"Reporting Accountant"	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Russia"	the Russian Federation
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAFE Circular No. 37"	Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued on 4 July 2014 by the SAFE
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Sanctioned Countries"	countries which are targets of International Sanctions as adopted, administered and enforced by the U.S., the E.U. and its member states, the U.N. or Australia
"Sanctioned Persons"	certain persons and entities listed on OFAC's Specially Designated Nationals and Blocked Person list, OFAC's Sectoral Sanchous Identifications (SSI) List, or other restricted parties lists maintained by the E.U. and its member states, the U.N. or Australia
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shangguafan Factory"	the production site of our Group located in Shang Gua Fan (上卦畈), Lin'an City (臨安市), Zhejiang Province (浙江省), the PRC
"Share(s)" or "our Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Share Offer"	collectively, the Placing and the Public Offer

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 22 June 2017, a summary of the principal terms and conditions of which is set forth under the section headed "D. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)" or "our Shareholder(s)"	holder(s) of the Share(s)
"Shenglong Decoration"	Zhejiang Shenglong Decoration Material Co., Ltd.* (浙江盛龍裝飾材料有限公司), a company incorporated in the PRC with limited liability on 19 November 1996, an indirect wholly-owned operating subsidiary of our Company and a direct wholly-owned subsidiary of Splendecor Hong Kong
"Splendecor Hong Kong"	Splendecor Hong Kong Limited (盛龍新材料香港有限公司), a company incorporated in Hong Kong with limited liability on 8 July 2013 and a wholly-owned subsidiary of our Company
"Splendor Decoration"	Hangzhou Splendor Decoration Material Co., Ltd.* (杭州錦秀裝飾材料有限公司), a company incorporated in the PRC with limited liability on 23 November 1999, an indirect wholly-owned operating subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, for the purpose of this prospectus, refers to those individuals and corporations disclosed under the paragraph headed "Substantial Shareholders" under the section headed "Substantial Shareholders" in this prospectus or, where the context so requires, any one of them
"Takeovers Code"	The Code on Takeovers and Mergers and Share Buybacks approved by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended 31 December 2016
"Turkey"	the Republic of Turkey
"Underwriters"	collectively, the Placing Underwriters and the Public Offer Underwriters

"Underwriting Agreements"	collectively, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"U.N."	United Nations
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Well Power"	Well Power Ventures Limited, a company incorporated in the BVI with limited liability on 28 February 2014 and wholly-owned by Mr. Yu
"**WHITE** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"Yangdai Factory"	the production site of our Group located in Yang Dai (楊岱), Lin'an City (臨安市), Zhejiang Province(浙江省), the PRC
"**YELLOW** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
"%"	per cent

The English names of the PRC established companies or entities and the PRC laws and regulations mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

* *For identification purposes only*

This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"CIF"	cost, insurance and freight
"C&F"	cost and freight
"decorative printing materials products"	include our decorative paper, melamine impregnated paper, finish foil paper, PVC furniture film and PVC flooring film
"FOB"	free on board
"GDP"	gross domestic product
"ISO"	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality system of business organisations
"ISO 9001"	a family of standards set by ISO for quality management systems when an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family
"ISO 14001"	a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts. ISO 14001 is a member of that family
"OHSAS 18001"	an international occupational health and safety management system specification
"PVC"	polyvinyl chloride, a type of synthetic polymer made through aggregation of vinyl chloride
"PVC decorative film products"	include our PVC furniture film and PVC flooring film
"sq.m."	square metre

This prospectus contains forward-looking statements including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, under the sections headed "Business", "Business objectives and future plans" and "Financial information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on the beliefs, intentions, expectations or predictions of the management of our Company for the future as well as assumptions made by and information currently available to the management of our Company as at the date of this prospectus. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our Group's financial condition;
- our dividend policy;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- our Group's relationships with our key customers;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic trends and conditions ; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed under the section headed "Risk Factors" in this prospectus. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business, financial condition and results of operations may be affected by the decrease and/or loss of overseas markets

We heavily relied on sales to our overseas customers, large majority of which were furniture and flooring manufacturers and trading entities, as our sales to our overseas customers accounted for approximately 58.8%, 69.0% and 65.3%, respectively, of our total revenue during the Track Record Period. Pakistan, being our second largest market for the year ended 31 December 2014 and the largest market for the two years ended 31 December 2016, accounted for approximately 29.6%, 39.2% and 35.9% of our total sales in the relevant periods respectively, and four out of our five largest customers for the two years ended 31 December 2015 and three out of our five largest customers for the year ended 31 December 2016 were customers based in Pakistan.

It is important for us to maintain close and mutually beneficial relationships with our key overseas customers. Our revenue is also subject to our customers' business, product quality, sales strategy, industry conditions and the overall economic market environments. We cannot assure you that our overseas customers may continue to purchase from us at current levels, or at all, and they may become insolvent or otherwise default on payments under such orders, fail to take delivery of our products in accordance with the purchase orders, or purchase similar products from our competitors. Any significant reduction of sales to or loss of any of our key overseas customers could materially and adversely affect our business, financial condition and results of operations.

We generally do not have long-term purchase commitments from our overseas customers and our sales are typically made on the basis of individual purchase orders. We are not the exclusive supplier for these customers and we do not have guaranteed orders from them. There is no assurance that these customers will not purchase from other suppliers whom they perceive offer equal or superior products or services, or whom offer lower prices than us. Therefore, there is no certainty that we will continue to generate revenue from these customers. While we have entered into certain cooperation agreements with some of our customers such as New Customer A and New Customer B, the terms of such agreements merely set out the basic framework terms and conditions for the transactions without or with only minimum purchase commitments. Please refer to the paragraph headed "Our Business Strategies — Increased demand from domestic market" under the section headed "Business" for details of the principal terms of the cooperation agreements. Actual sales remain subject to placing of sales orders with us. Our customers may or may not place any sales orders with us. Our customers' production orders may vary from period to period, and it is difficult to forecast future order quantities. There is no assurance that any of our customers will continue to place production orders with us in the future at the same volume, or at the same margin, as compared to prior periods, or at all. We may not be able to locate alternative customers to replace purchase orders or sales. There is also no assurance that we can achieve our expected increase in the production volume because our estimation is based on customers' indications but not confirmed sales orders. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future. If demand for our overseas customers' products deteriorates or if there are any other developments adverse to our major overseas customers such as any significant changes in the operations or financial condition of our major customers, including consolidation or change of ownership, restructuring or liquidation, our business, operating results and financial condition may be materially and adversely affected.

We rely on our sales agents for reaching new customers and liaising with existing customers. Our failure to effectively manage our sales agents and maintain a good relationship with them may materially, and adversely affect our revenue and brand recognition

During the Track Record Period and up to the Latest Practicable Date, we relied on sales agents to explore new customers and liaise with existing customers in six of our overseas markets, including Pakistan, Turkey, Italy, Australia, Brazil and South Korea. In particular, during the Track Record Period, we relied on our sales agent in Pakistan for our sales to Pakistan which accounted for 29.6%, 39.2% and 35.9% of our total sales of the Group. We entered into agreements with them pursuant to which our sales agents are primarily responsible for development of the relevant local markets for our Group. In the event that an existing sales agent fails to comply with the terms of our agreement or meet satisfactory sales numbers, or if it becomes unable or unwilling to do business with us, we may not be able to find a satisfactory replacement within a short period of time and at reasonable costs. If we fail to effectively enforce the agreements with them or our sales agents fail to maintain good relationships with our end customers in the relevant markets, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability

During the Track Record Period, raw materials constituted large portion of our cost of sales, accounted for approximately 87.0%, 83.7% and 83.2% of our cost of sales respectively. Our primary raw materials include base paper, PVC mould, chemicals, metals and packaging materials. We were and are subject to the price fluctuation in raw materials used in our manufacturing process. For details of price fluctuation of our key raw materials, namely base paper and ink, please refer to the paragraph headed "Prices of the Key Raw Materials" under the section headed "Industry Overview" of this prospectus.

Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on their respective market prices from time to time. In the future, there may be periods of time when we are unable to pass our cost increases to customers in a timely manner to avoid adverse impacts on our profit margins. For example, there is a potential time lag between when prices for raw materials increase under our purchase orders and when we can implement a corresponding increase in price under our sales orders with our customers. In addition, when raw material cost increases rapidly and such appreciations are passed along to customers as product price increases, the credit risks associated with certain customers can be compounded and demand may decrease. Our business prospects, financial condition and results of operations may be adversely affected by the increase and volatility of such cost. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow.

Further, as at the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials. If we cannot pass on the increase in our cost to our customers or absorb an increase in such cost through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, our business, financial condition and results of operations may be materially and adversely affected.

We do not enter into long-term supply contracts with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply

During the Track Record Period, our five largest suppliers accounted for approximately 68.6%, 71.3% and 68.1% of our total purchases, and purchases from our largest supplier accounted for approximately 33.7%, 28.1% and 28.2% of our total purchases, respectively.

We do not have long-term purchase commitment to our suppliers. There is no assurance that our suppliers will be able to supply the required raw materials to us in a timely manner or that they will not significantly increase the prices at the time of our purchase. There is also no assurance that our suppliers would be able to deliver to us the raw materials up to our required standard. In either case, our production schedule and business could be materially and adversely affected. In addition, we may not be able to secure alternative supplies of raw materials of similar quality from other suppliers at prices and terms acceptable to us. In such event, our business, financial condition and operating results may be materially and adversely affected.

If we are unable to maintain existing level of utilisation rates at our production facilities, our margins and profitability may be materially and adversely affected

During the Track Record Period, we achieved estimated production utilisation rates of approximately 76.1%, 74.8% and 87.3%, respectively, for our decorative paper; whereas our estimated production utilisation rates for PVC furniture film were approximately 4.8% and 30.4% for the two years ended 31 December 2016, respectively. For details of the estimated production utilisation rates of our main products, please refer to the paragraphs headed "Production Facilities" under the section headed "Business" of this prospectus. The utilisation rates of our production facilities depend primarily on the demand for our products. The utilisation rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of our production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilisation rates for our Shangguafan Factory and Yangdai Factory in the future. In the event that we are unable to maintain the existing level of utilisation rates for any or all of our production facilities, our business, financial condition and operating results may be materially and adversely affected.

Any unexpected disruption at our production facilities could have a material and adverse effect on our business, financial condition and results of operations

Smooth and consistent daily operations of our production facilities are highly crucial to our business. Regular repair and maintenance programmes for our production facilities are scheduled by our production department. Each of our production lines currently requires a complete overhaul twice a year. We cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial condition and results of operations could be adversely impacted.

Our production requires significant and constant supply of water and electricity which are currently provided by the local utilities company and bureau in Lin'an City of Zhejiang Province, the PRC. Total cost incurred for the supply of water and electricity for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 amounted to approximately RMB3.0 million, RMB3.1 million and RMB3.0 million, respectively. Our reliance on such supply will further increase along with the expansion of our production capacity. If at any time we do not have adequate electricity or water to sustain normal production due to blackouts, shortage of electricity or water, we may need to limit, delay or halt production, and any disruption to such supply may adversely affect our production flow, prevent us from meeting customer orders and/or increase our costs of production, which could adversely affect our business and financial performance.

Any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial conditions and results of operations

The quality of our products is mainly dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial conditions and results of operations.

We experienced net current liabilities during the Track Record Period

As of 31 December 2014, 2015 and 2016, we had net current liabilities of approximately RMB64.9 million, RMB52.1 million and RMB35.1 million, respectively. Our net current liabilities positions during the Track Record Period were mainly attributable to various bank borrowings, trade payables and payables for purchase of property, plant and equipment. Details of our net current liabilities during the Track Record Period are set forth in the paragraph headed "Net current liabilities" under the section headed "Financial Information" in this prospectus. In addition, our finance costs charged to our consolidated income statements for the years ended 31 December 2014, 2015 and 2016 were approximately RMB5.7 million, RMB4.8 million and RMB3.8 million respectively.

Our indebtedness may result in significant risks, including the following: (i) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on indebtedness, thereby reducing our working capital for operations, future business opportunities and capital expenditures; (ii) our bank borrowings are at variable rates of interest, our net profit and working capital position will be adversely affected by any unfavourable changes in interest rates; and (iii) our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes in the future may be limited. In the event our Group cannot generate sufficient profit to cover the finance costs or any unfavourable changes in interest rates, our net profit, net profit margin and working capital position might be adversely affected.

There is no assurance that we can secure sufficient funds by borrowings from financial institutions to finance our business, operations and capital expenditure. In the event that financial institutions providing existing banking facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking facilities on reasonable terms acceptable to us, our business, financial condition and results of operations may be adversely affected.

If we fail to collect trade receivables from our customers, our cash flow position and results of our operation may be adversely affected

As of 31 December 2014, 2015 and 2016, our total trade receivables amounted to approximately RMB41.3 million, RMB42.7 million and RMB56.2 million, respectively, and a provision of impairment of trade receivables of approximately RMB4.0 million, RMB3.9 million and RMB2.6 million, respectively, was made. Our trade receivables of approximately RMB6.5 million, RMB7.5 million and RMB10.4 million were overdue but not impaired as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Please refer to the paragraph headed "Trade and Other receivables" under the section headed "Financial Information" for the reasons for the increase in overdue but not impaired trade receivables. We cannot assure that we will be able to collect all trade receivables, in particular those overdue by more than three months from our customers. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause provisions for trade receivables to be made in the future, and may adversely affect our cash flow position and results of operations.

We rely on our key management personnel

Our future success is highly dependent on the ongoing efforts of our management and key personnel including but not limited to our executive Directors, Mr. Sheng, Ms. Sheng, Mr. Fang and Mr. Yu. We rely on such management and key personnel for their capabilities in developing new products and their extensive knowledge of and experience in the PRC decorative printing materials products industry. We may not be able to retain the services of our management or key personnel, or attract and retain management or key personnel in the future. We may also be unable to attract or retain the specialised personnel required to achieve our business objectives, and failure to do so could adversely affect our business and prospects. In addition, we depend on the continued service of skilled managerial and technical personnel. In the event that any member of our management or any of our key personnel joins a competitor or forms a competing company, we may not be able to replace them easily and we may lose our technical know-how, research and development capability, customers, new customers and other key staff members.

Our success depends on the market recognition of our brand and we could be adversely affected by negative publicity

We rely on the market recognition of our brand. We believe that we have a well-established operating history and strong brand recognition. Our brand and reputation depend upon our ability to maintain high quality of our products. Our Directors believe that our business growth in our production and sales of our products depend heavily on the public perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance our brand recognition and awareness amongst our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, results of operations and financial conditions could be adversely affected.

Our projection and estimation in respect of our future production capacity, production volume and sales orders are subject to factors which may be beyond our control, hence such projection and estimation may not be achieved

Our projection and estimation in respect of our future production capacity, production volume and sales orders (in particular those set out in the section headed "Business — Our Business Strategies" in this prospectus) are subject to factors which may be beyond our control, including but not limited to actual number of sales orders placed by our customers with us, general market condition, labour supply, utilisation of our production capacity, implementation of our expansion plan, etc. Accordingly, we cannot assure that such projection and estimation will be achieved. Please see also the paragraphs headed "Our business, financial condition and results of operations may be affected by the decrease and/or loss of overseas markets" and "We may not be successful in maintaining our growth or implementing our market expansion plan" in this section, which more particularly discuss some of the factors which may be beyond our control and would affect our projection and estimation.

In the event that such projection and estimation are not achieved, our business, financial condition and operating results may be adversely affected.

The receipt of government grants is non-recurring in nature and there is no assurance that we will receive the current level of government grants in the future

We recorded government grants income of approximately RMB0.5 million, RMB0.1 million and RMB2.5 million for the three years ended 31 December 2016, which were recorded in "other income and other gains — net" of our consolidated income statements. The receipt of government grants in 2016 was mainly incurred for the abolition of non-environmentally friendly production facilities. As such government grant was non-recurring in nature and any further grant may depend on our additional environmentally friendly measures applied to our production facilities. Therefore, we cannot assure you that we will continue to receive them in the future. Furthermore, we face uncertainty relating to the availability of government grants due to unexpected changes in PRC laws, regulations and governmental policies. Any loss of or reduction in government grants could have an adverse effect on our financial condition, results of operations and prospects.

We may not be successful in maintaining our growth or implementing our market expansion plan

We intend to maintain our current market position by improving our production technologies and expanding into new markets, in particular, the overseas markets, by expanding our sales and marketing network. As a result, we are subject to all of the risks that are specific to the domestic and overseas markets of the decorative printing materials products, other materials industry and the risks inherent in the unforeseen costs and expenses, challenges, complications, and delays encountered in connection with market expansion. Our ability to sustain our profit margin in the future depends on a variety of factors, including successful implementation of our expansion plans and business strategies, market demand for our products, our ability to respond to market preference, efficient utilisation of our management and financial resources and ability to recruit and retain suitable skilled personnel. Failure to do so will affect our gross profit margin and net profit margin adversely.

Nonetheless, we may not be able to sustain such growth rate. Even if we maintain such growth rates, we may not be able to manage the growth in an efficient and effective manner. In the event we are unable to maintain or manage our business growth, or otherwise experience pricing pressure or loss of market presence, we may experience stagnant or negative growth, thereby materially and adversely impairing our business, financial condition and operating results. As many factors affecting our future growth are beyond our control, we may not be able to achieve our historical growth rate.

Our business plans set forth in the paragraph headed "Our Business Strategies" under the section headed "Business Objectives and Future Plans" in this prospectus are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be valid, which could affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and cost) or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Our financial condition, operating results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

We may not be able to use our leased collectively-owned land because of the failure of the completion of the conversion of agriculture land use procedures

Our future growth also depends on our ability to construct new production facilities to align with our expansion plan. As at the Latest Practicable Date, we had leased various parcels of collectively-owned land situated right next to our Yangdai Factory and paid a total land compensation of RMB 4.9 million for the requisition. Our Directors consider that the various parcels of leased collectively-owned land are material to the long term development of our Group due to its location that it is right next to our Yangdai Factory and their sizes and potential for our future expansion to further increase our future production capacity. Our Directors further considered that it may not be able to find an alternative land with comparable advantages in the vicinity of our Yangdai Factory. For details of such parcels of collectively-owned land, please refer to the paragraph headed "Properties and Facilities" under the section headed "Business" in this prospectus. We expect to obtain the right to use the relevant land after the completion of the conversion of agriculture land use procedures. However, as the local land management department may not approve the application for the conversion, no assurance can be given that we could obtain the right to use such land. Even if the application is approved, we may not be able to reliably estimate the process time to be taken for the completion of such procedures.

Any inability to use these parcels of land in the future could have an adverse effect on our prospects and if our land acquisition costs increase significantly for acquiring other land, our financial position and results from operations would be adversely affected.

We may not be able to keep up with the trends and develop products which are acceptable by our customers

Our ability to design and engrave plate rollers, develop ink, print and impregnate technology solution is important to us. Our competitiveness in the decorative printing materials products market depends in large part on our ability to tailor our products to meet our customers' needs. Our sales are subject to the decorative printing materials products market trends, which consist of the customers' changing preferences on the design of our products, the development of the high quality and environmental friendly decorative printing materials, ink and printing technology which we may or may not be able to predict accurately. Our ability to understand the PRC and overseas decorative printing materials products industry and its trends and to foresee market opportunities and direct our resources effectively to product development projects, will materially impact the success of our new product development initiatives.

New products or techniques are continuously evolving and changing, and we cannot assure you that our products or techniques developed will be well accepted by the market, or such products or techniques can be developed and put into market in a timely manner or at all. It may also incur additional cost of new development of products and techniques, such as designing and engraving new plate rollers and expanding research and development team in order to meet the changing preference of the customers. In the event that we are unable to develop new products and techniques that meet the needs of our customers or that our competitors have developed new and more advanced products and techniques which are well-received by the market, our business, financial condition and results of operations may be materially and adversely affected.

We rely on independent logistic companies and delivery agents

We do not have our own transportation team. During the Track Record Period and up to the Latest Practicable Date, we entered into contracts with independent logistic companies and delivery agents for transportation or delivery of our products to locations designated by our customers. Should the logistic companies and delivery agents fail to comply with the terms of our contracts with them or any regulatory requirements, they may fail to transport or deliver our products to our customers in a timely manner or at all. Upon any failure by our existing logistic companies or delivery agents to discharge their delivery obligations, we may not be able to find other suitable companies or agents as replacements on a timely basis, and our business, financial performance and operations may thereby be adversely and materially affected.

The logistics service providers are responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. There is no assurance that the logistics service providers have sufficient insurance coverage for our products delivered by them, if at all. As such, our customers may have liability claims against us if there is loss or damage to our products during delivery and the logistics service providers do not have any or sufficient insurance coverage. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results operations.

We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter laws and regulations are passed in relation to environmental protection

Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental permits and other relevant PRC government environmental approvals. The failure to obtain such permits or approvals may subject us to warning, fines and penalties imposed by the relevant PRC government authorities and we may be required to suspend the use of production facilities or vacate the premises. In addition, as our production processes generate waste water and air pollutants, we are also required to comply with applicable national and local environmental regulations. We are also subject to environmental assessment and inspection by the environmental protection authorities from time to time. If we fail to comply with present or future applicable environmental regulations, we may be warned or required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which would have a material adverse effect on our business and results of operations.

In addition, we cannot assure you that future changes in PRC environmental protection laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. As the PRC is experiencing substantial issues with environmental pollution, it is likely that the national, provincial and local governmental agencies will adopt regulations setting forth stricter pollution controls and requirements in the future. Any such regulation applicable to the manufacture of our products may require us to incur significant capital expenditure and increase our operating costs.

Our insurance coverage may not be sufficient to cover the risks relating to our operations and potential losses

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. No assurance can be given that our insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft of or damage to property or injury to person for which we may be held liable. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes will severely affect our ability to continue our operations and may cause significant property damage and personal injuries. Our existing insurance policies may not be sufficient to compensate us for any losses arising from damage to our buildings, equipment and infrastructure. In addition, there are certain types of losses, such as those resulting from war, acts of terrorism, infectious diseases, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Any events and any losses or liabilities that are not covered by our current insurance policies may have a material adverse impact on our business, financial condition, results of operations and prospects.

We are exposed to foreign exchange risks

As our sales are primarily made in RMB, USD and EUR, we are exposed to exchange rate risk. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in the PRC. Our profit margins will be negatively affected to the extent that we are unable to increase the selling prices of the products (in terms of USD and EUR) we sell to our overseas customers to account for any appreciation of the RMB against the USD and EUR. Further, any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and also adversely affect our business, financial condition, results of operations and prospects. If there is any material fluctuation in the exchange rates of one currency that we use to settle our payables against the other currency we received from our customers, and if we are unable to pass on the exchange risk to our customers, our results of operations and financial condition may be adversely affected.

Our purchases and expenses have been and are expected to continue to be primarily denominated in RMB and we are exposed to the risks associated with the fluctuation in the currency exchange rate of RMB. Should RMB appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are to be converted from HKD or other currencies into RMB, would be reduced and might accordingly hinder the business development of our Group due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of RMB, the dividend payments of our Company, which are to be paid in HKD after the conversion of the distributable profit denominated in RMB, would be reduced. Hence, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on the business, operations and financial position of our Group and the value of your investment in the Shares.

Our sales may be affected by seasonality

We believe that our sales may be affected by seasonality. Revenue fluctuations throughout the year are common for the decorative printing material products industry which is subject to seasonal variation. We generally record higher sales revenue in the fourth quarter each year, where majority of the orders need to be delivered before the Chinese New Year period; and generally record lower revenue during the fasting period in Pakistan each year. We may be exposed to risks associated with such seasonal factors and the fluctuation of demand of our products. Should there be any adverse change of market condition during the peak season, our profitability may be adversely affected.

We may not be able to comply with the covenants under our bank borrowings or refinance such borrowings when they mature

As of 31 December 2016, certain of our outstanding bank borrowings contained material financial covenants, which impose certain restrictions on the borrower's financial condition and operating results. The agreements of these bank borrowings were entered into between Shenglong Decoration and one of our lending banks, which require that: (i) Shenglong Decoration's liabilities (excluding payables to related parties within the Group) to assets ratio not exceeding 65.0%; (ii) Shenglong Decoration's current assets to current liabilities (excluding payables to related parties within the Group) ratio not less than 80.0% (or 65.0% as required in certain agreements); (iii) guarantee provided by Shenglong Decoration not exceeding RMB20.0 million and contingent liabilities to net assets ratio not exceeding 30.0%; (iv) long term equity investment made by Shenglong Decoration not exceeding 30.0% of its net assets. These financial covenants may restrict our ability to borrow additional debt in the future.

Any increase in our labour costs would reduce our profit margins, profitability and liquidity, as well as materially and adversely affect our financial condition and results of operations, and labour shortage could disrupt our production

As at the Latest Practicable Date, we had employed 328 full-time staff. For each of the years ended 31 December 2014, 2015 and 2016, our labour costs amounted to approximately 5.5%, 6.9% and 7.1% of our total cost of sales respectively. Labour costs in the PRC have increased significantly in recent years and have affected our Group's cost structure.

There is no assurance that we will be successful in retaining and recruiting suitable and qualified workers in sufficient numbers and in time for our existing and future manufacturing operations at reasonable costs or at all, and any prolonged shortage of labour could materially and adversely affect our operations and financial results. In addition, we may be liable for fines assessed by relevant government authorities or incur settlement costs in order to resolve labour disputes. We may also be subject to higher labour costs in the future when recruiting new employees due to the reputational damage caused by these labour disputes. In the event that such labour costs significantly increase and our Group is unable to identify and adopt appropriate means to reduce costs or pass on such increase in costs to our customers, our margins and profitability could be materially and adversely affected. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow, as well as materially and adversely affect our financial condition and results of operations.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position

It is possible that any intellectual property rights held by us may be invalidated, circumvented, or challenged. There can be no assurance that such intellectual property rights will provide us with competitive advantages or adequately safeguard our proprietary rights. Existing patents are granted for prescribed time periods and will expire at various times in the future.

It is often difficult to create and enforce intellectual property rights in the PRC. Even where adequate laws exist, it may not be practicable to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment or an arbitration award by a court of another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in the PRC. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property.

Product liability claims may be brought against us and may materially and adversely harm our business, financial conditions, and results of operations

We are exposed to risks associated with product liability claims if the use of our products results in personal damage or injury. Further information on regulatory requirements of the decorative printing materials industry is set forth under the section headed "Regulatory Overview" in this prospectus. We also cannot assure you that future changes of the rules and regulations in the PRC in relation to decorative printing materials will not impose costly compliance requirements on us or otherwise subject us to future liabilities. We cannot assure you that product liability claims against us will not arise in the future, whether due to product quality, defects or other causes. We do not maintain product liability insurance, which our Directors confirm is consistent with general industry practice. As a result, any dispute regarding quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

The preferential tax treatment our Group currently enjoys may be changed or discontinued which may adversely affect our Group's profitability

Shenglong Decoration was recognised as an High and New Technology Enterprise (高新技術企業) during the Track Record Period. Pursuant to the approval, Shenglong Decoration was entitled to a preferential EIT tax rate of 15.0% since the financial year ended 31 December 2011 and was entitled to continue to enjoy such a preferential tax rate till the financial year ended 31 December 2016. The tax benefits that we enjoyed during the three years ended 31 December 2016 were approximately RMB1.3 million, RMB0.6 million and RMB2.6 million, respectively. Our certificate on qualified High and New Technology Enterprise will be expired in September 2017. There is no assurance that we can renew such certificate. In addition to the preferential PRC Corporate Income Tax rate, Shenglong Decoration is entitled to an additional tax deductible allowance calculated at 50% of the qualified research and development expenses incurred by Shenglong Decoration. The additional tax deductible allowance during the three years ended 31 December 2016 were approximately RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. However, there is no assurance that the current policies in the PRC with respect to the current preferential tax treatment that we enjoyed will not be abolished or unfavourably amended, or that the approval for such preferential tax treatment will be granted to our subsidiaries in a timely manner, or at all.

We have certain non-compliance issues with our buildings during the Track Record Period

Our failure to obtain the requisite PRC government approvals, permits and the land use certificates may result in such buildings being considered illegal and unauthorised structures. Pursuant to the relevant PRC laws, the competent authorities may order the demolition, forfeiture of such buildings and/or require us to pay a penalty. Please refer to the paragraph headed "Non-Compliance" under the section headed "Business" for further details. If we are forced to relocate or are ordered to pay any penalty due to the above non-compliance issues, our financial position may be adversely affected.

We could be adversely affected as a result of our sales to customers located in certain countries that are subject to evolving economic sanctions imposed by the U.S., the U.N., the E.U., Australia and other relevant sanctions authorities

During the Track Record Period, we had product sales to customers or consignees in (i) certain Sanctioned Countries, namely, Afghanistan, Belarus, Ukraine, Iran and Syria, and (ii) Russia and Egypt. Russia and Egypt are not subject to comprehensive sanctions adopted by the U.S., the E.U., Australia or the U.N.. International sanctions targeting Russia and Egypt, like those targeting Afghanistan and Belarus, prohibit or otherwise restrict certain types of transactions and activities involving Sanctioned Persons. During the three years ended 31 December 2016, we derived 1.8%, 2.0% and 0.4%, respectively, of our total revenue from sales to customers or consignees in Afghanistan, Belarus, Ukraine, Iran and Syria. We ceased our business activities in connection with such Sanctioned Countries, Russia and Egypt as from September 2016.

We will comply with all PRC laws and applicable laws in the jurisdictions where we have operations.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., Australia, the U.N. and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in Sanctioned Countries and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the E.U., Australia, the U.N. or Hong Kong. However, we can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the U.S., the E.U., Australia, or the U.N. or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. Certain U.S. states and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical activities in the Sanctioned Countries, Russia and Egypt could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in us.

International Sanctions targeting Iran may adversely affect our ability to receive payment for sales made to customers in Iran.

Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the E.U. or other sanctions laws risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

RISKS RELATED TO THE INDUSTRY

We operate in a highly competitive environment and we may not be able to sustain our current market position

Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance than our products. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to sell and market our products to them.

The market for our decorative printing material products is competitive. We face competition in the market for decorative printing material products from both international and domestic manufacturers. Our ability to compete successfully in the decorative printing material products industry depends on various factors, including our ability to anticipate market trends, adopt new or innovate technologies, effective cost control, consistency in product quality, timely delivery of products to meet customers' schedules, customer services and technical expertise, and factors that are outside of our control, such as industry and general economic conditions. We cannot assure you that we will remain competitive or that our strategies will continue to be successful in the future. Intensified competition may result in loss of our market share, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We also face competition from overseas manufacturers. If our key overseas customers start to rely or increase their reliance on overseas manufacturers to meet their requirements, we may not be able to increase our market share or find a market for our decorative printing material products, and our business, prospects, financial condition and results of operations may be adversely affected.

The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and operations

The global capital and credit markets have been experiencing volatility and disruption in the recent years. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit and the financial viability of the European banking and financial system have contributed to unprecedented levels of market volatility. These factors, combined with declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. As a result, consumer demand for our decorative printing material products may significantly decrease, thereby materially and adversely affecting our business, financial condition and results of operations. If the economic downturn continues, our business operation and financial position may be adversely affected.

Epidemics, acts of war and other disasters may adversely affect our operations

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under threat of flood, earthquake, typhoon, sandstorm or drought. Our business, results of operations and financial condition may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operations, employees, markets or clients, any of which could adversely impact our turnover, cost of sales, overall results and financial condition or the market price of the Shares. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's political, economic and governmental policies may have an adverse impact on our operations

Despite the export nature of our products, we conduct substantially all of our business in the PRC and plan to continue expanding our business into new geographic areas in the PRC and all of our assets are currently situated in the PRC. Accordingly, our business, financial condition and results of operations are subject to political, economic and legal developments in the PRC to a significant degree. The PRC's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. We cannot assure you that there will not be any unfavourable changes in the PRC's political, economic and governmental policies and measures that could impact the industries in which we operate, which could in turn diminish the demand for our products.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations

The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws, regulations and legal requirements are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currencies for payment of dividends, if any, to Shareholders, which is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("**FIEs**") are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payments are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the USD and abolished the pegging of the RMB solely to the USD as applied in the past. Instead, it is pegged against a basket of currencies. We cannot assure you that in the future the PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and operations of our Group. Fluctuations in exchange rates for USD may adversely affect the value, translated or converted into RMB, of our net assets, earnings and any declared dividends. We may incur new debt financings which may include foreign currency denominated borrowings. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect our results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws

Under the EIT Law and the EIT Implementation Regulations, PRC income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises" (which do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. During the Track Record Period, Shenglong Decoration declared dividends of RMB15.0 million for the year ended 31 December 2014 of which RMB3.8 million was payable to Splendecor Hong Kong. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our turnover and profit are substantially contributed by our subsidiaries in the PRC.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers

Our Company was incorporated under the laws of the Cayman Islands and a substantial part of our businesses, assets and operations are located in the PRC. In addition, most of our Directors and officers are residents of the PRC. As a result, it may not be possible to effect service of legal process upon us or our Directors and officers in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. Therefore, it may be difficult for you to enforce against us and our Directors and officers in the PRC any judgments obtained from non-PRC courts.

Although we will be subject to the GEM Listing Rules and the Takeovers Code upon Listing, our Shareholders will not be able to bring actions on the basis of violation of the GEM Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

RISK RELATING TO THE SHARE OFFER AND THE SHARES

Sale or perceived sale of substantial amounts of the Shares in the public market after the Share Offer could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules and further undertakings in favour of us. There is no assurance that the Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares. Our Controlling Shareholders may take actions with which you may not agree or which are not in our or our public Shareholders' best interests.

Upon completion of the Share Offer and the Capitalisation Issue, the Controlling Shareholders will own 47.99% of the Shares in issue. The Controlling Shareholders will therefore have significant influence over the operations and business strategy of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Company or those other Shareholders may be adversely affected as a result.

There may be limited liquidity in our Shares and volatility in the price of our Shares on GEM and could result in substantial loss for investors purchasing our Shares in the Share Offer

Our Shares have not been traded in an open market before completion of the Share Offer. The Offer Price may not serve as an indicator of the price of our Shares traded on GEM in the future. The Offer Price is the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may be different from the market prices for our Shares after the Listing. There is no assurance that an active and liquid public trading market of our Shares will develop upon the Listing or if it does develop, that it may be sustained for any period of time after the Listing. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variation in our results of operation;
- technology advancements;
- changes in securities analysts' analysis of our financial performance;
- our announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of our key personnel;
- fluctuations in market prices and trading volume of our Shares;
- our involvement in litigation;
- development of GEM; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of our Shares. There is no assurance that such changes will not occur.

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our

Company and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect our Group's results of operations.

We may require additional funding for future growth

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "expect", "estimate", "intend", "may", "plan", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-Looking Statements" in this prospectus for further details.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst reports. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of this prospectus are available, for information purposes only, at the respective offices of the Joint Bookrunners and the Public Offer Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Friday, 30 June 2017 to Thursday, 6 July 2017 (both days inclusive).

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Offer Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements subject to the Offer Price being fixed by agreement between our Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on the Price Determination Date, or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SUBSCRIPTION OF OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdiction.

It is expected that, pursuant to the Share Offer, the Underwriters will conditionally offer the Offer Shares on behalf of our Company with investors.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out under the section headed "Structure and conditions of the Share Offer" in this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the Application Forms.

APPLICATION FOR LISTING OF THE SHARES ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under Section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25.0% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited, and the branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 17 July 2017. Shares will be traded in board lots of 5,000 Shares each. The stock code for the Shares is 8481. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

LANGUAGE

If there is any inconsistency between the English version and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi and US dollars have been translated, for illustration purposes only, into Hong Kong dollar in this prospectus at the following rates:

- RMB1.00 = HK$0.8945; and
- US$1.00 = HK$7.80.

No representation is made that any amount in Renminbi, US dollars or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Sheng Yingming (盛英明)	Unit 3, Block 8 Zhong Da Wu Zhuang Qing He Fang Community Qing Bo Street Shang Cheng District Hangzhou City Zhejiang, PRC	Chinese
Sheng Sainan (盛賽男)	Room 4-2-304 Qin He Jia Yuan Liu Yuan Road Jin Cheng Street Lin'an City Hangzhou City Zhejiang, PRC	Chinese
Fang Xu (方旭)	Room 4-2-304 Qin He Jia Yuan Liu Yuan Road Jin Cheng Street Lin'an City Hangzhou City Zhejiang, PRC	Chinese
Yu Zemin (俞澤民)	Room 101, Unit 2 Wan Jin Shan Zhuang Lin Shui Road Jin Bei Street Lin'an City Hangzhou City Zhejiang, PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Ma Lingfei (馬靈飛)	Room 202, Unit 2, Block 8 No. 129 Lin Dong Road Lin'an City Hangzhou City Zhejiang, PRC	Chinese
Lee Ho Yiu, Thomas (李浩堯)	Flat D, 13/F, Block 3 The Grand Panorama 10 Robinson Road Mid-Levels Hong Kong	Chinese
Huang Yueyuan (黃月圓)	Room 1302-1, Unit 2, Block 7 Zhi Cheng Yuan Xi Xi Cheng Yuan Hangzhou City Zhejiang, PRC	Chinese

For further information on the profile and background of our Directors, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Messis Capital Limited *A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16/F Tower 2, Admiralty Centre 18 Harcourt Road Hong Kong
Joint Bookrunners	Astrum Capital Management Limited *A corporation licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO* Room 2704, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
	Gransing Securities Co., Limited *A corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO* 17/F Hing Yip Commercial Centre 272-284 Des Voeux Road Central Hong Kong
Co-Managers	China Jianxin Financial Services Limited *A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO* Room 907, Wing On Centre 111 Connaught Road Central Hong Kong

Innovax Securities Limited
A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
Unit A-C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Huabang Securities Limited
A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
Room 1708-13, 17/F
Nan Fung Tower
88 Connaught Road Central
Hong Kong

Quasar Securities Co., Limited
A corporation licensed by the SFC to carry on type 1 (dealing in securities) regulated activities under the SFO
Unit A, 12/F,
Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong Law:
Vivien Teu & Co LLP in association with
Llinks Law Offices
Suite 1503-1504, 1511, 15/F, ICBC Tower
3 Garden Road, Central
Hong Kong

As to Cayman Islands Law:
Appleby
2206-19, 22nd Floor
Jardine House
1 Connaught Place, Central
Hong Kong

	As to PRC Law: King & Wood Mallesons 40/F, Tower A, Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District, Beijing PRC
	As to International Sanctions: DLA Piper UK LLP Victoria Square House Victoria Square Birmingham B2 4DL United Kingdom
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Law:* Li & Partners 22/F, World-Wide House Central Hong Kong
	As to PRC Law: Yingke Law Firm 3/F, Office Tower B, Rong Chao Center No. 6003 Yitian Road Futian District, Shenzhen PRC
Auditor and Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Compliance adviser	Messis Capital Limited *A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16/F, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong

Property valuer	Peak Vision Appraisals Limited 12/F, Effectual Building 14-16 Hennessy Road Wanchai Hong Kong
Industry consultant	Beijing Yubozhiye Market Consulting Co., Ltd. 18th Floor, Zhong An Sheng Ye Building No. 168, Beiyuan Road ChaoYang District Beijing, PRC
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KYI-1108 Cayman Islands
Headquarters and principal place of business in the PRC	No. 8 Shangguafan Road Jinnan sub-district Lin'an City, Hangzhou Zhejiang, PRC
Principal place of business in Hong Kong	Suite 1503-1504, 15/F ICBC Tower 3 Garden Road Central Hong Kong
Company secretary	Sung Pui Hei *(CPA Practising)* Flat 1110, 11/F Hin Hing House Hin Keng Estate Shatin Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Sheng Yingming Unit 3, Block 8 Zhong Da Wu Zhuang Qing He Fang Community Qing Bo Street Shang Cheng District Hangzhou City Zheijiang, PRC Sung Pui Hei Flat 1110, 11/F Hin Hing House Hin Keng Estate Shatin Hong Kong
Compliance officer	Yu Zemin
Audit committee	Lee Ho Yiu, Thomas *(Chairman)* Ma Lingfei Huang Yueyuan

Remuneration committee	Huang Yueyuan *(Chairwoman)* Ma Lingfei Lee Ho Yiu, Thomas
Nomination committee	Ma Lingfei *(Chairman)* Lee Ho Yiu, Thomas Huang Yueyuan
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street, PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	China Construction Bank Corporation Hangzhou Lin'an Branch No. 855, Qian Wang Street Lin'an, Hangzhou Zhejiang Province PRC Shanghai Pudong Development Bank Co., Ltd. Hangzhou Lin'an Branch No. 539, Shi Jing Street Lin'an, Hangzhou Zhejiang Province PRC
Company's website address	www.splendecor.com *(the information contained in this website does not form part of this prospectus)*

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications as well as the commissioned report from Yubozhiye, an independent third party. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Group, the Controlling Shareholders or any of its respective affiliates or advisers, nor by the Sole Sponsor, the Joint Bookrunners, the Underwriters or any of their affiliates or advisers or any other party involved in the Share Offer. Our Directors have no reason to believe that such facts, statistics and data presented in this section is false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. In this section, other than the Industry Report, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications, and their preparations were not commissioned or funded by our Group. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

We commissioned Yubozhiye to conduct an analysis of and to report on the decorative paper market in the PRC, Pakistan and Indian for the period from 2010 to 2020 at a fee of RMB270,000. The information and analysis contained in the Industry Report was assessed independently by Yubozhiye which is not connected to our Group in any way. The payment of such amount was not conditional on our Group's successful Listing or on the results of the Industry Report.

The information and statistics set forth in this section have been extracted from the Industry Report. We believe that such information facilitates an understanding of the relevant market for potential investors. The information contained in the Industry Report is derived by means of data and intelligence gathering methodology which consists of (i) analyse the market to identify past problems faced by industry participants competing in the market, the key challenges they confront now and the opportunities that may arise; (ii) conduct primary research obtained from various sources including data obtained directly from industry participants and secondary research; and (iii) calculate market forecasts and market sizes by interviewing industry competitors and deriving each company's annual shipments or revenues from the defined market.

In compiling and preparing the Industry Report, Yubozhiye has adopted the assumption that the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the decorative paper market. Our Directors and the Sole Sponsor, having considered the data and intelligence gathering methodology of Yubozhiye adopted in preparing the Industry Report, are satisfied that the above assumption is not misleading.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care as at the date of this prospectus, there is no material adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

ABOUT YUBOZHIYE

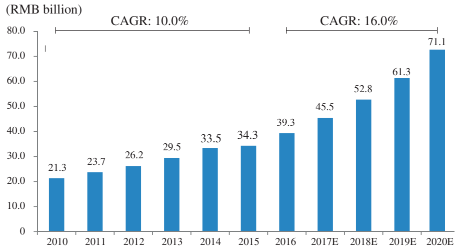
Yubozhiye was established in 2002 which provides corporate strategic solutions in the PRC. It principally engages in services of industrial research, investment consulting, market research and initial public offering advisory in China. Its headquarter is located in Beijing and it has branches in Xiamen and Hong Kong. Since its establishment, Yubozhiye has been engaged as the industry consultant by numerous companies for their IPO projects in Hong Kong and the PRC.

OVERVIEW OF THE DECORATIVE PAPER MARKET

Global market overview

During the past few years, the worldwide decorative paper industry has experienced substantial growth with sales amount increased from approximately RMB21.3 billion in 2010 to RMB34.3 billion in 2015, representing an annual growth of 10.0%. In 2016, the global decorative paper market recorded sales of approximately RMB39.3 billion. Sales volume of the worldwide decorative paper industry in 2014 was approximately 1.5 million tonnes, while sales volume of the decorative paper industry in 2015 was approximately 1.6 million tonnes and further increased to approximately 1.8 million tonnes in 2016. The growth was led by the rapid expansion of property market worldwide which created demand for decorative paper for application on the manufacturing of furniture and flooring. Many countries have tightened up government policies on the restriction of lumbering, which in turn led to the limited supply of real wood and has facilitated the expansion of decorative paper products as a substitute material. It is expected that the sale amount of decorative paper will increase from approximately RMB39.3 billion in 2016 to approximately RMB71.1 billion in 2020, representing an annual growth of approximately 16.0%.

Sales amount of global decorative paper market in 2010 to 2020

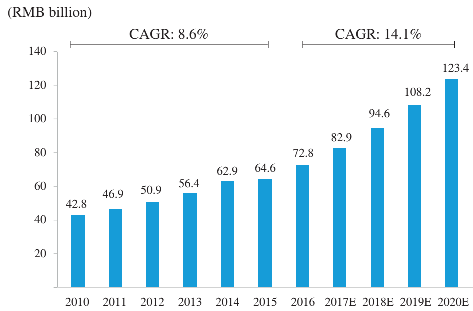


Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as complied, estimated and forecasted by Yubozhiye.

From 2010 to 2015, driven by the rapid development of the real estate market, the worldwide decorative paper business was set to grow rapidly. Particularly, the rapid development of the PRC's decorative paper industry gave a great boost to the rapid development of the worldwide decorative paper business. During the period, an annual growth rate of approximately 10.0% was recorded for the global sales of decorative paper;

It is expected that the global demand for decorative paper will be increased further during 2016 to 2020. Especially, as PRC, Southeast Asia and South Asia are gradually increasing their share in the worldwide decorative paper market, construction and decoration markets in developing countries will also be opened up gradually. Coupled with the implementation of "The Belt and Road Initiative" which will give a huge impetus for infrastructure development within coverage countries of the initiative, construction and decoration sectors in these countries will also be growing. Therefore, in aggregate, the global sales growth of decorative paper from 2016 to 2020 will be higher than in previous years with an annual growth rate of about 16.0%.

Sales amount of global melamine impregnated paper market in 2010 to 2020

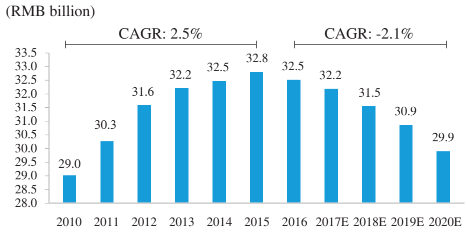


Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.

Sale amount of worldwide melamine impregnated paper industry increased from approximately RMB42.8 billion in 2010 to approximately RMB64.6 billion in 2015, representing an annual growth of approximately 8.6%. In 2016, the global melamine impregnated paper market recorded sales of approximately RMB72.8 billion. It is expected that the sale amount of melamine impregnated paper will have a growth with estimated increase from approximately RMB72.8 billion in 2016 to approximately RMB123.4 billion in 2020 representing an annual growth of approximately 14.1%.

Melamine impregnated paper is a preferred choice of decoration materials for custom-made furniture and plate furniture due to its nature being environmentally-friendly, wear, high temperature, corrosion and water resistant. In particular, people in developed countries are inclined to accept melamine impregnated paper as construction and decoration materials due to its environmentally-friendly nature and tailor-made design to suit local tastes. In recent years, it has also gained rising popularity in developing countries such as China. Accordingly, driven by the global consumption demand, the sales of melamine impregnated paper grew at an average annual growth rate of approximately 8.6% from 2010 to 2015. It is expected that the global market for melamine impregnated paper will be further increased from 2016 to 2020 as a result of gradually opened construction and decoration materials market in developing countries including China, South Asia, Southeast Asia and other developing countries. Accordingly, the global sales of melamine impregnated paper for the next few years will grow at an annual growth rate of approximately 14.1%, which is higher than the previous few years.

Sales amount of global finish foil paper market in 2010 to 2020

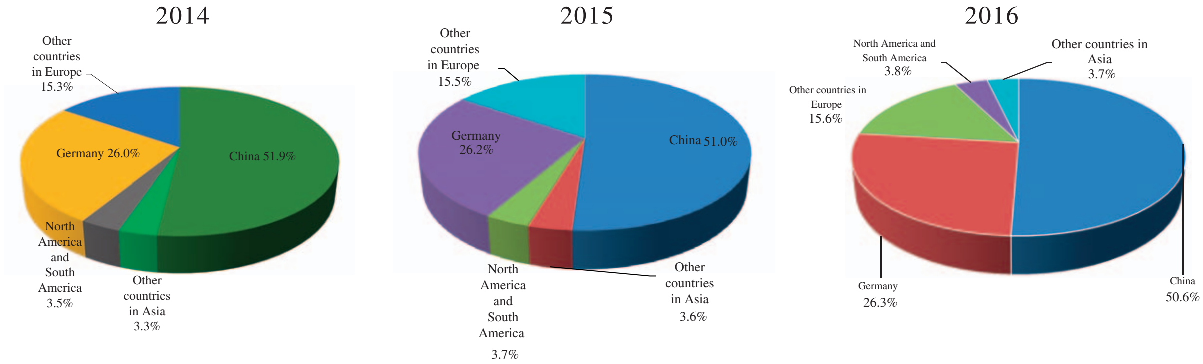


Source: *中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.*

In 2016, the global finish foil paper market recorded sales of approximately RMB32.5 billion. Due to the change of market preference, finish foil paper, as a traditional decorative material for wood-based board, are gradually replaced by decorative paper. It is expected that the sale amount of finish foil paper will have a decline with estimated decrease from approximately RMB32.5 billion in 2016 to approximately RMB29.9 billion in 2020, representing an annual decline of approximately 2.1%.

In 2016, China took up more than 50.0% of the total market share in terms of sales volume of the decorative paper industry in the world, taking over the then leading position of Germany which accounted for over 45.0% market share in 2010. Due to high labour and production costs in Europe, China enjoyed the competitive edge of having a relatively lower cost of production which partially explained the leading position of China in the decorative paper market nowadays.

The following diagram shows the market share in terms of sales volume of decorative paper market in 2014, 2015 and 2016:



Source: *《國際木業》(International Wood Industry) and as compiled and estimated by Yubozhiye.*

Due to the existing prevailing market position of decorative paper in the home decoration and flooring industries, it is estimated that the sales volume and expansion of the decorative paper will continue to increase with sales amount increased from approximately RMB39.3 billion in 2016 to approximately RMB71.1 billion in 2020, representing an annual growth rate of approximately 16.0%.

The major factors contributing to the increase in sales and expansion of market are mainly due to (i) the support of PRC national policies, such as the encouragement of enterprise to go global and the idea of "The Belt and Road Initiative", which facilitates PRC enterprises to continue their penetration into international markets and capturing overseas demand, in particular developing countries with potential of large demand, please refer to the paragraph headed "Market growth drivers of the decorative paper market" below for details; and (ii) increased demand from downstream sectors led by rising consumers' awareness on the importance of home decoration and popular application of wood-based board which in turns generates demand for decorative paper.

PRC market overview

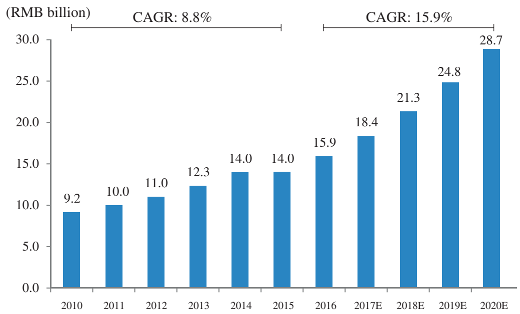
Aligning with the growth indicator worldwide as mentioned above, the rapid development of the property market along with the relevant construction and decoration industries in the PRC has driven the emerging of the decorative paper products industry since 1990s. After more than 30 years of development, the total number of decorative paper manufacturer was over 200 in the PRC and approximately 60 of them are located in Lin'an City of Zhejiang Province of the PRC. As mentioned above, the PRC accounted for the top market share in terms of sales amount in 2016. Such rapid development of the market demand has encouraged the industry participants to improve and advance the quality and production technology of their decorative paper products.

Sale of decorative paper in the PRC

Due to change of market preference, finish foil paper, as traditional decorative printing material for wood-based board, are gradually replacing by decorative paper. According to the Industry Report, decorative paper accounted for approximately 50.4% of the decorative printing material for wood-based board in 2016, and its application on home decorations such as wooden doors and cabinets is expected to continue to increase.

The following diagram shows the sales amount of decorative paper in the PRC:

Sales amount of the PRC decorative paper in 2010 to 2020



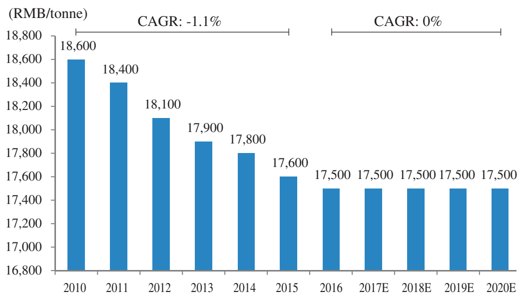
Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.

Sale amount of PRC decorative paper industry increased from approximately RMB9.2 billion in 2010 to approximately RMB14.0 billion in 2015, representing an annual growth of approximately 8.8%. In 2016, the PRC decorative paper market recorded sales of approximately RMB15.9 billion. The sales amount of the decorative paper in the PRC is expected to increase from approximately RMB15.9 billion in 2016 to approximately RMB28.7 billion in 2020, representing an annual growth rate of approximately 15.9%. It is estimated that such growth rate is supported by the 13rd five-year development plan concerning construction and decoration industry and the new urbanisation planning and other policies, making home improvement demand for building decoration market. In addition, the demand is also contributed by the continuing increasing trend of population and housing in the city which leads to higher demand of renovation projects. As a result, the demand of decorative paper in the PRC will also increase.

Selling price of decorative paper in the PRC

The raw materials of decorative paper mainly include base paper, ink and plate roller, in which base paper generally accounts for approximately 85.0% of the cost of raw materials. Price of base paper directly affects the cost of producing decorative paper. As a result of decreased prices of raw materials as well as enhanced production technology and production efficiency, selling prices of decorative paper have also shown a downward trend in recent years. The average selling price of decorative paper in the PRC is shown in the following diagram:

Average selling price of the decorative paper in 2010 to 2020

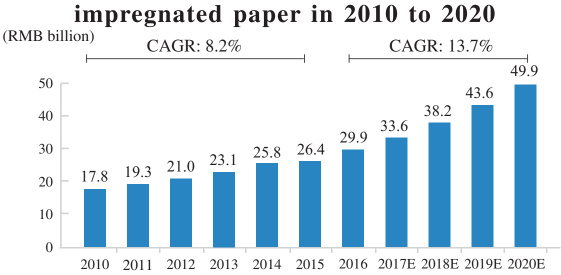


Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.

The forecast selling price of the decorative paper in PRC is expected to be stable, with the selling price remains at approximately RMB17,500 per tonne in the coming few years. According to the Industry Report, the Industry Consultant is of the view that the selling price of decorative paper is reliant on the cost of raw materials and the market supply and demand. The price of decorative paper in the PRC is expected to remain stable in the next few years, due to (i) the price of raw materials, ink and base paper has been rebound slightly in 2016, and is expected to fluctuate within a certain range and will not significantly deviate from the 2016's price range; and (ii) as the growth of industry market supply keep pace with the growth of demand scale, the price of the decorative paper is not expected to fluctuate significantly. The average selling price of our Group's decorative paper in the PRC was approximately RMB19,767, RMB19,614 and RMB19,217 per tonne, respectively which was higher than the respective industry average. Our decorative paper was priced at the industry average plus premium, which was mainly attributable to (i) our well established operating history and strong brand recognition, we ranked as the top three players of decorative paper in the PRC; (ii) our product design and development capability, we provided our customers with over 2,000 designs for selection; and (iii) the stability of quality of our products.

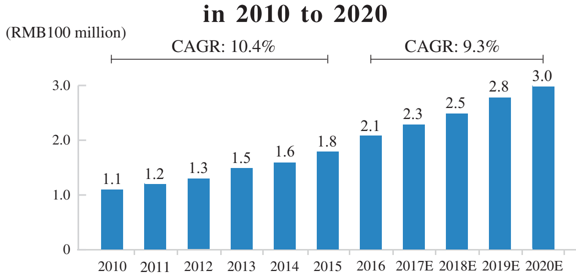
The following diagrams show the sales amount of melamine impregnated paper and PVC film in the PRC:

Sales amount of PRC melamine impregnated paper in 2010 to 2020



Source: *中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.*

Sales amount of PRC PVC film in 2010 to 2020

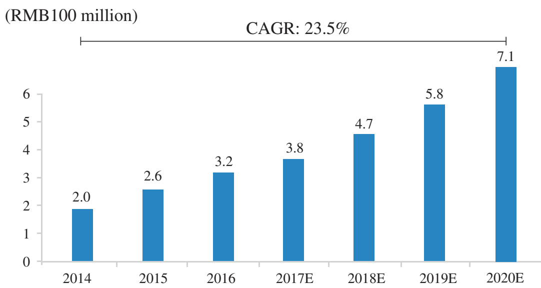


Source: *中國建築裝飾協會(China Building Decoration Association) and as compiled, estimated and forecasted by Yubozhiye.*

Pakistan market overview

The demand of decorative paper amounted to approximately 28,900 tonnes in 2015 and increased to approximately 34,800 tonnes in 2016. The purchase amount of Pakistan's domestic decorative paper industry was approximately RMB370.0 million in 2015 while the purchase amount increased to approximately RMB464.0 million in 2016, representing a growth rate of approximately 25.4%. The import volume of decorative paper amounted to approximately 17,700 tonnes in 2015 and increased to approximately 21,300 tonnes in 2016. The import amount of Pakistan's domestic decorative paper industry was approximately RMB258.0 million in 2015 while the import amount increased to approximately RMB324.0 million in 2016, representing a growth rate of 25.6%.

Import amount of decorative paper in 2014 to 2020

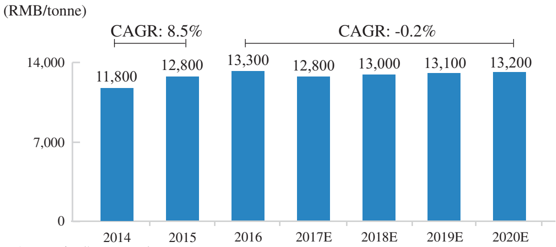


Source: *中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.*

Since domestic production volume of decorative paper is relatively limited in Pakistan, it relies on import of decorative paper products to meet its domestic market demand. The relationship between Pakistan and China has generally been good and China was the second largest export country in Pakistan in 2016, with export amount of approximately USD5.2 billion, representing approximately 10.4% of the total import of Pakistan in 2016. It is expected that the import volume will maintain a growth trend while import growth rate will also continue to increase.

The average selling price of decorative paper in Pakistan is shown in the following diagram:

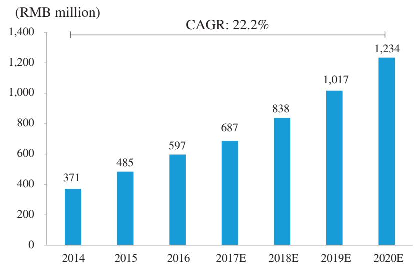
Average selling price of decorative paper in 2014 to 2020



Source: 中國林產工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as complied, estimated and forecasted by Yubozhiye.

The domestic production volume of melamine impregnated paper is relatively limited in Pakistan, and it relies on import of melamine impregnated paper products to meet its domestic market demand. The demand of melamine impregnated paper increased from approximately 91.9 million pieces in 2015 to approximately 150.3 million pieces in 2016. The import amount of melamine impregnated paper increased from approximately RMB485 million in 2015 to approximately RMB597 million in 2016, representing a growth rate of 23.1%.

Import amount of melamine impregnated paper in 2014 to 2020

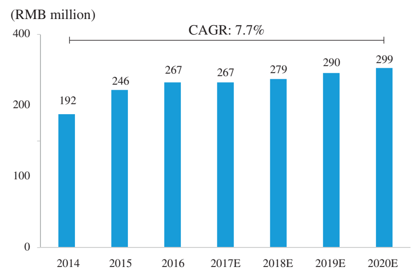


Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.

In 2016, the import amount of melamine impregnated paper to Pakistan recorded approximately RMB597.0 million. It is expected that the import amount will have a steady growth with estimated increase from approximately RMB597.0 million in 2016 to approximately RMB1,234 million in 2020. The demand of finish foil paper increased from approximately 10.5 million metres in 2015 to approximately 14.2 million metres in 2016, and the import amount of finish foil paper increased from approximately RMB246 million in 2015 to approximately RMB267 million in 2016, representing a growth rate of 8.5%.

Pakistan has been experiencing stable GDP growth in recent years. Property construction is considered as a key development area by the Pakistani government. There are approximately 250,000 new housing units every year, with approximately 6.5 million housing units under construction or to be built. In addition, the Pakistani government has invested in infrastructure such as bridges, highways and tunnels, which has substantially facilitated the development of property construction industry, and in turn the downstream decoration paper due to demand of home decoration and improvement works. Infrastructure investment will give rise to development opportunities for construction and decoration industry. Besides decoration demand from those infrastructure facilities, booming real estate market along such infrastructure projects will also keep decorative market continue to flourish. The urbanisation process sparkled around such infrastructure facilities will also bring great development opportunities for decoration market. As such, the increase in infrastructure investment by the Pakistani government will give a very great boost in demand for residential decoration. Since domestic production volume of both melamine impregnated paper and finish foil paper is relatively limited in Pakistan, it relies on import of such products to meet its domestic market demand.

Import amount of finish foil paper in 2014 to 2020



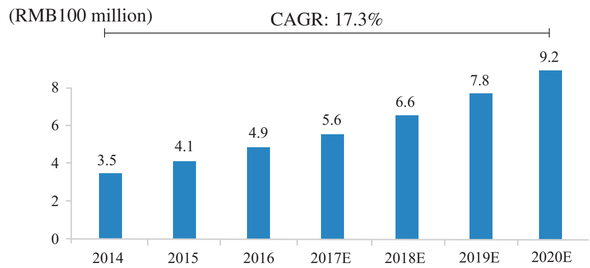
Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.

It is expected that the import amount of finish foil paper will have a slight growth with estimated increase from approximately RMB267.0 million in 2016 to approximately RMB299.0 million in 2020.

Indian market overview

The demand of decorative paper amounted to approximately 44,500 tonnes in 2015 and increased to approximately 51,800 tonnes in 2016. The purchase amount of Indian's domestic decorative paper industry was approximately RMB591.0 million in 2015 while the purchase amount increased to approximately RMB711.0 million in 2016, representing a growth rate of approximately 20.3%. In India, the import volume of decorative paper increased from approximately 27,700 tonnes in 2015 to approximately 32,000 tonnes in 2016, representing a growth rate of approximately 15.5%, and the import amount of decorative paper industry increased from approximately RMB410 million in 2015 to approximately RMB490 million in 2016, representing a growth rate of approximately 19.5%.

Import amount of decorative paper in 2014 to 2020



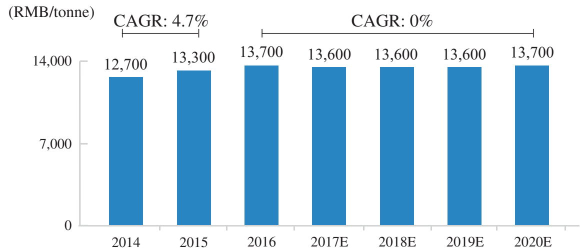
Source: *中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.*

Benefiting from the steady growth in import volume of decorative paper and the continuous development of building materials industry in India, it is expected that the import amount will have a stable growth with increase from approximately RMB490.0 million in 2016 to approximately RMB920.0 million in 2020.

The demand of melamine impregnated paper amounted to approximately 160.3 million pieces in 2015 to approximately 181.7 million pieces in 2016. The import amount of melamine impregnated paper increased from approximately RMB772.0 million in 2015 to approximately RMB902.0 million in 2016, representing a growth rate of approximately 16.8%.

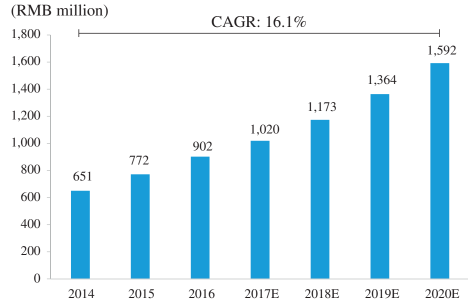
The average selling price of decorative paper in India is shown in the following diagram:

Average selling price of decorative paper in 2014 to 2020



Source: *中國林產工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as complied, estimated and forecasted by Yubozhiye.*

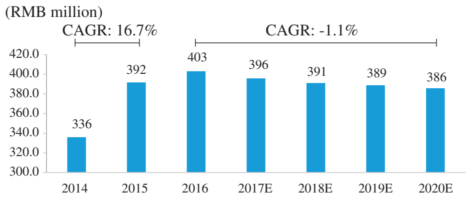
Import amount of melamine impregnated paper in 2014 to 2020



Source: *中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled, estimated and forecasted by Yubozhiye.*

Benefiting from the steady growth in import volume of melamine impregnated paper and the continuous development of building materials industry in India, it is expected that the import amount of melamine impregnated paper will have a stable growth with estimated increase from approximately RMB902 million in 2016 to approximately RMB1,592.0 million in 2020.

Import amount of finish foil paper in 2014 to 2020



Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as complied, estimated and forecasted by Yubozhiye.

The demand of finish foil paper decreased from approximately 18.3 million metres in 2015 to approximately 17.1 million metres in 2016, but the import amount of finish foil paper increased from approximately RMB392.0 million in 2015 to approximately RMB403.0 million in 2016.

Due to the change of market preference, finish foil paper, as a traditional decorative material for wood-based board, is gradually replaced by decorative paper. It is expected that the demand of finish foil paper will have a decline with estimated decrease from approximately 17.2 million metres in 2017 to approximately 13.2 million metres in 2020; and the import amount of finish foil paper will have a decline with estimated decrease from approximately RMB403.0 million in 2016 to approximately RMB386.0 million in 2020.

PRICES OF THE KEY RAW MATERIALS

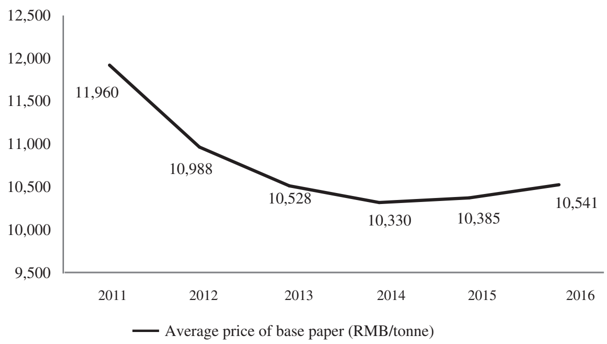
The major raw materials consist of base paper, ink and PVC mould.

Base paper

The PRC's base paper industry, along with advancing of technologies, improvement in equipment and expansion of operation, a rapid growth was delivered in the industry as well as its productivity. Home-made paper products captured the domestic market quickly as Chinese enterprises of decorative paper have superseded European and American peers.

As supply capacity in the paper industry increased and the demand from downstream market demand maintained stable, the PRC decorative paper industry, on a whole, experienced an oversupply, leading to a decline in the average selling price of base paper in the decorative paper market recently, which evidenced intensifying market competition as well.

Average selling price of base paper from 2011 to 2016

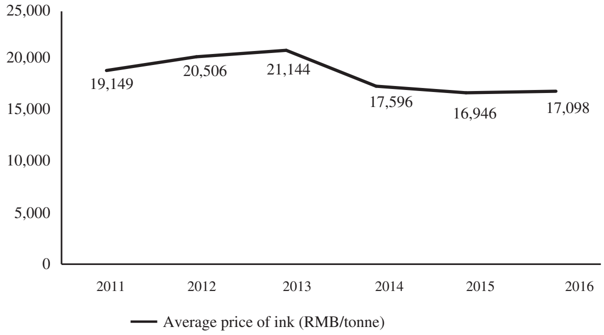


Source: 中國林業工業協會裝飾紙專業委員會 (China National Forest Product Industry Association) and as compiled and estimated by Yubozhiye.

Ink

With the development of package and printing industries, the PRC's ink industry has experienced rapid growth. Ink prices have been in decline since 2014, attributable to, on one hand, increasing supply capacity in the ink market which led to fiercer competition, and on the other hand, market prices of the PRC ink fell after increases in past years as a result of changes in the price of raw materials, such as pigment, dyestuff and assistant in the upstream sectors.

Average selling price of ink from 2011 to 2016

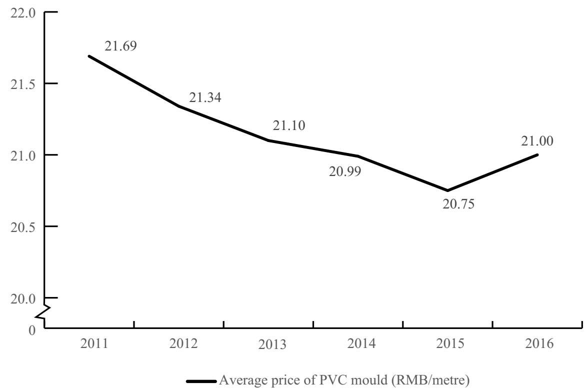


Source: *中國日用化工協會油墨分會 (National Association for Printing Ink Industry — An affiliate of China Daily-use Chemical Industry Association) and as compiled and estimated by Yubozhiye.*

PVC mould

According to the Industry Report, the average selling price of PVC mould was derived by averaging the selling prices of PVC mould, with different specification and/or thickness, across a wide price range. The average price of PVC mould decreased from approximately RMB20.99 per metre in 2014 to approximately RMB20.75 per metre in 2015, and increased to approximately RMB21.00 per metre in 2016. The selling price of PVC mould was in line with the price fluctuation of PVC, being the principal raw materials of PVC mould. The average price of PVC decreased from approximately RMB6,445 per tonne in 2014 to approximately RMB5,510 per tonne in 2015, and bounced back to approximately RMB5,924 per tonne in 2016.

Average selling price of PVC mould from 2011 to 2016

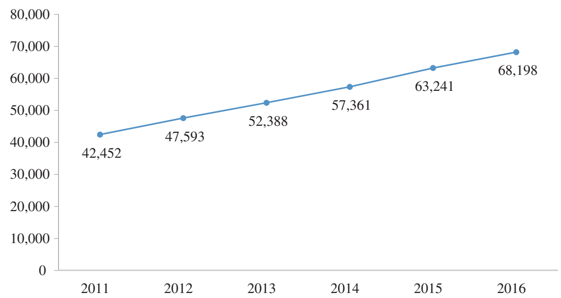


Source: *中國建築裝飾協會 (China Building Decoration Association) and as compiled and estimated by Yubozhiye.*

PRC LABOUR COST

The labour cost in the PRC has shown an increasing trend from 2011 to 2015. The average annual salary of an employed worker in urban area in the PRC has shown a year-on-year increase from approximately RMB42,452 per annum in 2011 to approximately RMB68,198 per annum in 2016, as illustrated in the following table.

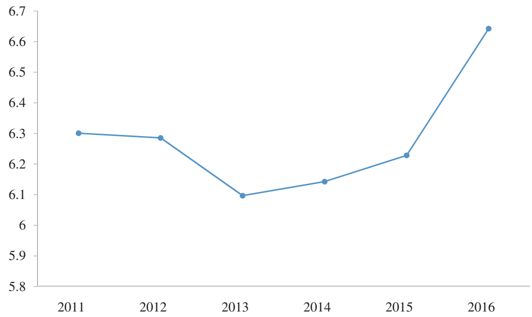
The Average Wages of Employees in Urban Units (RMB/year)



Source: *National Bureau of Statistics of the People's Republic of China and as compiled by Yubozhiye.*

FLUCTUATION IN EXCHANGE RATE OF USD AGAINST RMB

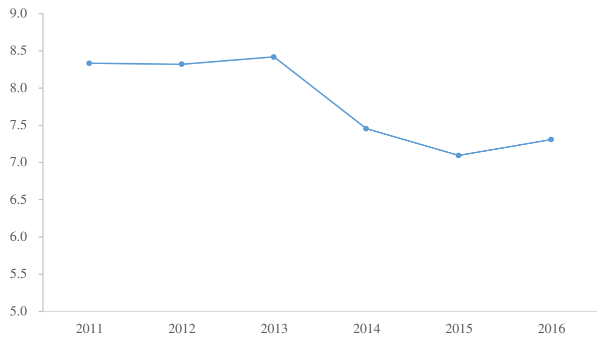
The exchange rate of USD against RMB has been on a rising trend during 2013 to 2016. The following graph shows the fluctuation in exchange rate of USD against RMB during the period from 1 January 2011 to 31 December 2016.



Sources: National Bureau of Statistics of the People's Republic of China, People's Bank of China and as compiled by Yubozhiye.

FLUCTUATIONS IN EXCHANGE RATE OF EUR AGAINST RMB

The exchange rate of EUR against RMB has been on a decreasing trend during 2013 to 2016. The following graph shows the fluctuation in exchange rate of EUR against RMB during the period from 1 January 2011 to 31 December 2016.



Source: National Bureau of Statistics of the People's Republic of China, People's Bank of China and as compiled by Yubozhiye.

COMPETITIVE LANDSCAPE

The decorative printing material industry is fragmented in the PRC with over 200 manufacturers of different scales. According to the Industry Report, the market concentration of the PRC decorative printing material industry is relatively low. In 2014, Lin'an City of Zhejiang Province of the PRC, known as production base of decorative printing material, housed more than 60 decorative printing material manufacturers and recorded sales volume of decorative printing materials of approximately 307,000 tonnes, accounting for 39.0% of the total sales in the PRC, in which there were only seven enterprises with over RMB100 million of sales annually. In 2015, Lin'an recorded sales volume of approximately 318,000 tonnes of decorative printing material, accounting for approximately 40.0% of the total sales volume in the PRC. In 2016, Lin'an recorded sales volume of approximately 376,000 tonnes of decorative printing material, accounting for approximately 41.3% of the total sales volume in the PRC.

The market concentration of the PRC decorative printing materials market is also low and fragmented. Rankings of companies in the PRC decorative printing materials industry are shown in the following table:

2014 Ranking	2015 Ranking	2016 Ranking	Manufacturer	2014 Market share (%)	2015 Market share (%)	2016 Market share (%)
1	1	1	Competitor A *(Note 1)*	4.4	5.3	5.3
2	2	2	Competitor B *(Note 2)*	2.3	2.4	2.4
3	3	3	Shenglong Decoration	1.7	1.6	1.6
4	4	4	Competitor C *(Note 2)*	1.5	1.2	1.2
5	5	5	Competitor D *(Note 2)*	1.2	0.9	0.9

Note:

1. Competitor A is a company principally engaged in research, manufacturing and sale of decorative printing materials, which is listed on the Shenzhen Stock Exchange.

2. Each of Competitor B, C and D is a company principally engaged in research, manufacturing and sale of decorative printing materials.

Source: 臨安複合裝飾材料行業協會 (Lingan City Composite Decorative Material Industry Association) and as complied and estimated by Yubozhiye.

For decorative paper, the top five players accounted for approximately 9.2%, 9.3% and 9.1% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked third with market share of approximately 1.6%, 1.7% and 1.7% in 2014, 2015 and 2016, respectively. For melamine impregnated paper, the top five players accounted for approximately 8.8%, 9.0% and 9.0% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked seventh of approximately 0.4%, 0.5% and 0.5% of the market share, respectively. For finish foil paper, the top five manufacturers accounted for approximately 34.8%, 34.9% and 35.0% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked sixth, seventh and seventh with approximately 1.6%, 1.7% and 1.7% of the market share in 2014, 2015 and 2016, respectively.

The market of the PRC decorative printing materials exported to Pakistan is also relatively fragmented and competitive. For decorative paper, the top five players accounted for approximately 13.8%, 14.0% and 14.2% in 2014, 2015 and 2016, respectively. Our Group was ranked second and accounted for approximately 2.8%, 2.9% and 3.0% of the market share in 2014, 2015 and 2016, respectively. For melamine impregnated paper, the top five players accounted for approximately 21.8%, 21.9% and 22.1% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked seventh with approximately 3.0%, 3.0% and 3.1% of the market share in 2014, 2015 and 2016, respectively. For finish foil paper, the top five players accounted for approximately 42.7%, 42.8% and 43.0% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked sixth, seventh, and seventh with approximately 3.2%, 3.2% and 3.3% of the market share in 2014, 2015 and 2016, respectively.

The market of the PRC decorative printing materials exported to India is also relatively fragmented and competitive. For decorative paper, the top five players for decorative paper accounted for approximately 13.8%, 13.9% and 14.0% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked third and accounted for approximately 2.8% of the market share in each of 2014, 2015 and 2016, respectively. For melamine impregnated paper, the top five players accounted for approximately 19.3%, 19.3% and 19.5% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked seventh and accounted for approximately 2.5%, 2.5% and 2.6% of the market share in 2014, 2015 and 2016, respectively. For finish foil paper, the top five players accounted for approximately 40.1%, 40.2% and 40.4% of the market share in 2014, 2015 and 2016, respectively. Our Group was ranked as the sixth, seventh and seventh and accounted for approximately 2.7%, 2.7% and 2.8% of the market share in 2014, 2015 and 2016, respectively.

Entry barriers of decorative paper market

High quality products— Customers in both domestic and overseas markets pay great attention to products quality. Apart from getting ISO9001 quality management system certification, products also need to meet relevant quality standards. Requirement on high quality sets forth a barrier for the new entrants of decorative paper market.

Capital barrier — Substantial capital is required to purchase advanced equipment and setup of production lines, which is considered to be a high barrier for small-to-medium-sized enterprises. Without certain capital and technical supports, it is difficult for new entrants to participate in and be competitive in the industry.

Strict environmental compliance — There is in place an established strict environmental compliance requirement in the PRC. They set forth stringent requirements on discharge and handling of pollutants and chemicals in the production process. As a result, in order to become a qualified suppliers, manufacturers need to keep a good record of environmental compliance and obtain ISO14000 system certification.

Strong capability of cost control — The substantial capital commitment nature that requires to spend more money for purchase of equipment, establishment of quality control and environment compliance systems, and the requirement to set up measures to avoid negative impact of foreign exchange fluctuation due to export nature. Accordingly, it is required to have a strong capability of cost control.

Key market challenges of decorative paper market

Business expansion challenge — Many companies are seeking for new growth opportunities and trying to expand their business. Export-oriented companies start to develop domestic market while domestic players are looking for chances in overseas market. Lack of relevant experiences and resources brings some uncertainties to these business expansion.

Foreign exchange challenge — China takes the leading position in decorative paper production in the world. Certain China's decorative paper manufacturers rely on overseas markets. As a result, fluctuation of foreign exchange exerts a direct impact on the export-oriented companies. RMB has experienced a long period of appreciation, which brings negative impact to exporters, especially the small scale players. Nonetheless, large players usually have strong bargaining power and are less sensitive to the change of foreign exchange.

Rising raw materials costs challenge—Raw materials such as base paper are the major costs of decorative paper production. Should the selling price of base papers and other key raw materials for production of decorative paper fluctuate highly, the costs of production will become one of the major challenges to the manufacturers.

MARKET GROWTH DRIVERS OF THE DECORATIVE PAPER MARKET

Expansion of property market worldwide

The growth in the decorative paper market will be led by the rapid expansion of property market worldwide which creates demand for decorative paper for application on the manufacturing of furniture and flooring. Increasing number of countries have tightened up policies on the restriction of lumbering, which in turn led to the limited supply of real wood and has facilitated the expansion of decorative paper products as a substitute material.

Promotion of the "go-out" policy in the PRC

China gives active support to enterprises for their globalising initiatives to explore overseas markets and to enhance their competitiveness internationally. "The Belt and Road Initiative" was released in 2015 presented great opportunities for China's construction decoration industry to pursue development, encouraging China's construction sector and construction decoration enterprises to accelerate their pace of becoming international and share the huge market potential in countries along the regions of "The Belt and Road Initiative".

Under the idea of "The Belt and Road Initiative", development of the high-speed railway era will bring great development opportunities for the construction and decoration industry. In addition, tourist spots will heat up again and tourist real estates will leverage the trend and attract investments to build a number of commercial complex projects such as shopping centers, hotels and serviced apartments, which will bring more business opportunities for the decoration industry.

Therefore, in general, as one of the segment markets of the construction and decoration industry, the implementation of "The Belt and Road Initiative" will also bring new development opportunity to the decorative paper market, and thus will deliver more business opportunity to the decorative paper enterprises.

As an important part of the top six economic corridors along the "Belt", the China-Pakistan Economic Corridor facilitates the cooperation between the two countries in certain areas with a focus on infrastructure construction, energy cooperation and industry parks. In particular, China has always maintained friendly cooperation relationship with Pakistan. As one of the top six economic corridors under "The Belt and Road Initiative", the China-Pakistan Economic Corridor acts as a flagship project and an early harvest program, which is beneficial to China and Pakistan, therefore delivering good development opportunity to the decorative paper enterprises in both countries. According to a joint declaration issued by China and Pakistan in Islamabad in April 2015, the two countries will proactively advance key co-operation projects, including a new international airport, the Haier-Ruba economic zone and numerous infrastructure projects such as railway. Our Directors consider that the improvement of infrastructure, in particular railway system, will promote the development of tourism real estate, commercial complex, and residential real estate along the infrastructure in Pakistan. Such development has a great business potential to, among other industries, property developers in China to participate in property development projects in Pakistan, which in turn will be beneficial to the decorative paper industry.

The Bangladesh-China-India-Myanmar Economic Corridor constitutes an important part of the construction planning of "The Belt and Road Initiative", to which India has a special significance. Currently, China and India are actively advancing further cooperation of both sides to make greater progress. In the long run, the advancing of the Bangladesh-China-India-Myanmar Economic Corridor will inevitably promote the construction of the tourism real estate and commercial complex in India and pour energy into the construction and decoration industry, which will in turn expose the decorative paper enterprises in China and India to a large potential market with more business opportunities in the future.

I. PRC LAWS AND REGULATIONS

INTRODUCTION

The following sets forth a summary of significant laws and regulations that affect our business in the PRC. Information contained in the following should not be construed as a comprehensive summary of laws and regulations applicable to us.

FOREIGN INVESTMENT

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**") (promulgated by the SCNPC on 29 December 1993, became effective from 1 July 1994 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively). A foreign-invested company is also subject to the Company Law unless otherwise provided by the foreign investment laws.

The establishment and operations of wholly foreign-owned enterprises are mainly governed by the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法) (promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016) and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (promulgated by the Ministry of the Foreign Economic and Trade of the PRC on 12 December 1990 and amended by the State Council (國務院) on 12 April 2001 and 19 February 2014).

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the latest version of which was promulgated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) and the MOFCOM on 10 March 2015).

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (promulgated and came into effect on 26 December 1989 subsequently amended on 24 April 2014 and implemented since 1 January 2015), construction of projects that cause environmental pollution shall comply with the requirements of environmental protection administration for the respective construction projects. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned simultaneously with the principal part of the project. The PRC government implements the pollution discharge license management system in accordance with the law. Enterprises, public institutions and other producers and operators that implement the pollution discharge license management shall discharge pollutants according to the requirements of the pollution discharge license; those that fail to obtain the pollution discharge license shall not discharge pollutants.

Pursuant to the Law of the PRC on Assessment of Environment Impacts (中華人民共和國環境影響評價法) (promulgated on 28 October 2002 and became effective on 1 September 2003 subsequently amended on 2 July 2016 and implemented since 1 September 2016), a construction entity shall, based on the Classified Management Catalogue for Environmental Impact Assessment of Construction Projects (建設項目環境影響評價分類管理名錄) formulated and published by the administrative department of the State Council in charge of environmental protection, carry out procedures for its construction project according to following stipulations: (1) if the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round assessment of the environmental impacts; (2) if the environment impacts may be gentle, it shall work out a report of environmental impacts so as to include an analysis or special assessment of the environmental impacts; and (3) if environment impacts may be very small then it is not necessary to conduct an assessment of the environmental impacts, it shall fill in a registration form of the environmental impacts. In case the environmental impact assessment document of a construction project fails to pass the examination of the statutorily prescribed examination and approval department or fails to be approved after examination, the examination and approval department of the project may not approve the construction thereof, and the construction entity may not start construction.

Pursuant to the Circular on Issuing the Implementing Proposals for the Reform of Environmental Impact Assessment during the 13th Five-year Plan Period (「十三五」環境影響評價改革實施方案) promulgated by the Ministry of Environmental Protection on 15 July 2016, the administrative permission for completion and acceptance of environmental protection (環保竣工驗收行政許可) is explicitly cancelled, and it is required to establish a management mechanism for transition among environment impact assessment, the "Three-Simultaneity" (三同時) (i.e. simultaneously design, construct, and use the environmental protection facilities with the principal part of a construction project) and the emission approval. The relevant requirements for pollutant emission control in the environmental impact assessment document and its official reply are set out in pollutant discharge license. Before a construction project is put into production or usage, the construction unit shall, based on the environmental impact assessment document and its approval opinion, entrust a third party body to prepare a completion and acceptance report for environmental protection facilities of the construction project for disclosure to the public and filing with environmental protection department.

Taxation

Enterprise income tax

Pursuant to the EIT Law promulgated by the SCNPC on 16 March 2007 (effective from 1 January 2008) and Implementation Rules of the EIT Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on 6 December 2007 (effective from 1 January 2008), from 1 January 2008 onwards, income tax rate of resident enterprises and foreign-funded enterprises shall be 25.0% (qualified foreign-owned enterprises are entitled to certain exceptions). Non-resident enterprises which have not set up institutions or venues within the territory of the PRC, or although it has set up institutions or venues within the territory of the PRC, no actual connection exists between their income and their institutions or venues shall pay enterprise tax for the income derived from the territory of the PRC; enterprise income tax rate of such income of non-resident enterprises shall be reduced to 10.0%, and shall be withheld at source, with the withholding agent as the payer.

On the basis of the EIT Law, enterprise established according to the law of the PRC's overseas jurisdictions with its "actual management institution" in the territory of the PRC is regarded as a Chinese resident enterprise, it shall pay 25.0% of the PRC's enterprise income tax for the incomes earned globally. An "actual management institution" is an organisation which implements substantial and comprehensive management and control of the enterprise's production and business operations, personnel and human resources, finance, property, etc. In addition, it is regulated in Notice of Related Issues about Determining Overseas Registered and Chinese Holding Enterprises to be Resident Enterprises According to Actual Management Structure Standards (Guo Shui Fa [2009] No. 82) (關於境外註冊中資控股企業依據實際管理機構認定為居民企業有關問題的通知(國稅發[2009] 82號)) promulgated by the SAT on 22 April 2009, overseas enterprises invested by enterprises in the PRC as controlling investors which also comply with the following conditions shall be determined to be "resident enterprises" whose "actual management institutions" are within the territory of the PRC: (a) the place where the senior executives responsible for the implementation of the daily production and operation management are their senior management departments which perform their duties is mainly located in the territory of the PRC; (b) financial and personnel decisions of the enterprise are made by organisations or personnel in the PRC, or need to be approved by agencies or officers located within the territory of the PRC; (c) main assets, accounting books, company seal and files of minutes of meetings of the Board of Directors and shareholders' meeting are located or stored in the territory of the PRC; and (d) more than half of those who have voting rights or senior executives of the enterprise always reside in the territory of the PRC.

In addition, according to the EIT Law, new and high-tech which need the key support of the state shall be levied a reduced corporate income tax of 15.0%. According to the Implementation Rules of the EIT Law, new and high-tech which need the key support of the state are enterprises that have their own independent, core intellectual property rights and at the same time meet the following conditions:

(1) the product (service) falls within the scope of the High and New Technology Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域);

(2) the proportion of research and development expenses in the sales revenues is not lower than the prescribed proportion;

(3) the proportion of the income from high and new technology products (services) in the total income of the enterprise is not lower than the prescribed proportion;

(4) the proportion of technicians in the total number of staff members of the enterprise is not lower than the prescribed proportion; and

(5) other conditions as stipulated in the measures for the determination of high and new technology enterprises.

The High and New Technology Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域) and the Administrative Measures for Determination of High and New Technology Enterprises (高新技術企業認定管理辦法) was formulated by the Ministry of Science and Technology, Ministry of Finance and SAT in consultation with the relevant departments under the State Council, and promulgated for implementation with the approval of the State Council.

Withholding income tax

According to the EIT Law and the Implementation Rules of the EIT Law, the dividends generated after 1 January 2008 and dividends payable by foreign enterprises in the PRC to foreign investors shall pay 10.0% withholding tax unless tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction where any of those foreign investors registered. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income promulgated by the SAT on 21 August 2006, if the shareholders are Hong Kong residents holding at least 25.0% of the registered capital of the Chinese company, withholding tax rate of 5.0% applies to any dividend declared by the Chinese company, or if shareholders are Hong Kong residents holding less than 25.0% of registered capital, withholding income tax rate of 10.0% shall apply. According to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatment of Tax Treaties (Pilot) (Guo Shui Fa [2009] No. 124) (國家稅務總局印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知(國稅發[2009]124號)) effective since 1 October 2009, the tax rate of 5.0% is not automatically applicable, to enjoy the treatment of tax treaties on the dividend clause of the tax treaty, an enterprise shall apply to the local competent tax authorities for approval of such treatment for tax treaty.

Enterprise Income Tax for indirect transfer of properties by non-resident enterprise

Pursuant to the Announcement on Certain Issues Concerning the Enterprise Income Tax on Indirect Transfer of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular No. 7**”) issued by the SAT and came into effect on 3 February 2015, an indirect transfer by a non-resident enterprise of its properties such as equity investment in a PRC resident enterprise by implementing arrangements without reasonable commercial purposes to evade the enterprise income tax, shall be re-defined of its nature and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Business tax and value added tax

According to the Provisional Regulations on VAT of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 (amended on 10 November 2008 with effect from 1 January 2009) and the Details on Implementation of the Provisional Regulations on VAT of the PRC (中華人民共和國增值稅暫行條例實施細則) promulgated by the Ministry of Finance of the PRC on 25 December 1993 (amended on 15 December 2008 and 28 October 2011 (effective from 1 November 2011)), entities and individuals selling goods in the PRC or providing processing services, repair services, import of goods should be subject to VAT, and the payable tax amount shall be calculated by deducting “input tax for the current period” from “output tax for the current period”. For selling and importing goods, VAT rate is 17.0% or 13.0% under certain circumstances depending on the product except for small-scale tax payers specified by the Provisional Regulations on VAT of the PRC.

According to the Interim Regulations on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on 13 December 1993 (effective on 1 January 1994) and amended on 10 November 2008 (effective on 1 January 2009), businesses and individuals providing services for transportation, construction, finance and insurance, telecommunications, culture, sports, entertainment and service industry prescribed in the Interim Regulations on Business Tax or transfer intangible assets or sell real estate within the territory of the PRC shall pay business tax.

According to the Circular regarding the Comprehensive Roll-out of the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax (CaiShui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) issued jointly by the Ministry of Finance (中華人民共和國財政部) and the SAT on 23 March 2016, the countrywide pilot practice of levying value-added tax in lieu of business tax (hereinafter referred to as the "**Pilot Practice**") was carried out since 1 May 2016, and tax payers in the construction, real estate, finance and consumer services industries are involved in Pilot Practice. According to the Specific regulatory documents for the Pilot Practice including"Implementation Measures for the Pilot Practice of Levying Value Added Tax in lieu of Business Tax (營業稅改徵增值稅試點實施辦法) etc., for taxpayer incurring taxable activities, the VAT rates are as follows:

(1) save as specified in (2), (3) and (4) below, the tax rate shall be 6.0%;

(2) for taxpayers providing services of transportation, postal, basic telecommunications, construction, real estate rental, sales of real estate and transfer of land use rights, the tax rate shall be 11.0%;

(3) for taxpayers providing tangible personal property rental services, the tax rate shall be 17.0%;

(4) for domestic entities and individuals incurring cross-border taxable activities, the tax rate shall be zero.

Urban maintenance and construction tax and education surcharge

In accordance with the Notice of the State Council on Consent of Foreign-funded Enterprises and Individual Urban Maintenance and Construction Tax and Education Surcharge System (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated and effective on 18 October 2010, Foreign-invested enterprises, foreign enterprises and foreigners shall be subject to the Interim Regulations on Urban Maintenance and Construction Tax of the PRC(中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council in 1985 and the Interim Provisions on Levying Education Surcharge(徵收教育費附加的暫行規定) promulgated in 1986 as of 1 December 2010.

According to the Interim Regulations on Urban Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) amended on 8 January 2011 and the Notice of the State Administration of Taxation on Urban Maintenance and Construction Tax Levy (國家稅務總局關於城市維護建設稅徵收問題的通知) promulgated on 12 March 1994 and effective since 1 January 1994, any entity or individual who shall pay consumption tax, VAT and business tax shall also pay urban maintenance and construction tax. The computation of urban maintenance and construction tax shall be based on the amount of consumption tax, VAT and business tax actually paid by the taxpayer and paid together with the payment of consumption tax, VAT and business tax. In addition, urban maintenance and construction tax rate for city, county or town, as well as non-urban, county or town areas are 7.0%, 5.0% and 1.0% respectively.

According to the Interim Provisions on Levy of Education Surcharge amended on 8 January 2011, all entities or individuals who shall pay consumption tax, VAT and business tax shall also pay education surcharge. Education surcharge rate shall be 3.0% of the amount of value-added tax, business tax and consumption tax actually paid up by the entity or individual and shall be paid together with the payment of value-added tax, business tax and consumption tax.

Properties

Land

According to the Property Law of the PRC (中華人民共和國物權法) promulgated by the National People's Congress on 16 March 2007 (become effective since 1 October 2007) and the Law of Land Administration of the PRC (中華人民共和國土地管理法) promulgated by the National People's Congress on 25 June 1986 (amended on 28 August 2004 and implemented since 1 January 1999), urban lands in cities shall be owned by the state, while lands in the rural areas and suburban areas shall be owned collectively by peasants except for those belong to the state as prescribed by law. PRC government may expropriate or take over land and pay compensation in accordance with law if such land is required for public interest.

According to the Interim Regulations of the PRC Concerning the Assignment and Transfer of the Right to the Use of State-owned Land in the Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on 19 May 1990, the PRC government implements the remising and transfer system of urban state-owned land use right in accordance with the principle of separation of ownership and use right. Different land use has different maximum term of land remising/land assignment. The relevant periods are generally as follows:

Land use	Maximum term
Commerce, tourism, and entertainment	40
Residence	70
Industry	50
Public facilities	50
Others	50

Land users who have obtained the right to use the state-owned land may, within the term of land use, transfer, lease, or mortgage the right to the use of the land or use it for other economic activities, and their lawful rights and interests shall be protected by the laws.

Real Estates

According to the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) promulgated at the 8th meeting of the Standing Committee (常務委員會) of the 8th National People's Congress (全國人民代表大會) on 5 July 1994, implemented since 1 January 1995, and newly amended on 27 August 2009, the activities of construction of infrastructures and buildings on the land with the right to use the state-owned land are referred to as real estate development. Unless otherwise specified, real estates that fulfil conditions are transferable. The title of a housing property plus the right to use the land occupied by the housing property obtained lawfully may be designated as mortgage right. Owners of housing property title has the right to lease out its housing property. When a real estate is transferred or mortgaged, the ownership of the building and the right to use the land occupied by the building are transferred or mortgaged at the same time.

Labour and Social Insurance

In accordance with Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant provisions, an employee shall participate in five types of social insurance, namely pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance, of which the premiums of maternity insurance and work injury insurance are paid only by the employer according to regulations of the PRC and the employee needs not to pay, while premiums of basic pension insurance, basic medical insurance and unemployment insurance shall be paid by both the employer and the employee. If the employer fails to fully pay up the social insurance contributions on time, the collection agency for such social insurance may demand the employer to make full payment or pay the shortfall within a set period as well as collecting late charge. If the employer fails to make payment after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Housing Provident Fund Management Ordinance (住房公積金管理條例) promulgated by the State Council on 3 April 1999 (amended on 21 March 2002), an employer shall make contributions to the Housing Provident Fund for any employee in its payroll.

Foreign Exchange

According to the Regulation of the PRC on Foreign Exchange Administration (外匯管理條例) promulgated by the State Council on 29 January 1996 and amended on 5 August 2008, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, and the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals shall be subject to foreign exchange administration. The foreign exchange income and expenditure under the current items shall be made on the basis of authenticity and lawfulness. An overseas institution or individual that makes direct investments in the territory of the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department.

According to the Notice on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (Hui Fa [2012] No. 59) (關於進一步改進和調整直接投資外匯管理政策的通知(匯發[2012]59號)) promulgated by the SAFE, some administrative licensing items regarding the foreign exchange administration for direct investment shall be cancelled and adjusted, for example, cancelling the approval procedure for the opening and entry recording of foreign exchange account under direct investment, cancelling the approval procedure for foreign investors' reinvestment with domestic lawful income, simplifying the foreign exchange administration for the domestic reinvestment of foreign-invested holding companies, simplifying the foreign exchange registration formalities for foreign investors' purchase of Chinese parties' equities, cancelling the approval procedure for foreign exchange purchase and external payment under direct investment, and cancelling the approval procedure for domestic foreign exchange transfer under direct investment.

According to the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (Hui Fa [2012] No. 59) (國家外匯管理局關於印發外國投資者境內直接投資外匯管理規定及配套文件的通知(匯發 [2013]21號)) promulgated by the SAFE, direct investment by foreign investors in the PRC shall be conducted by way of registration, and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies in Relation to Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by the SAFE, foreign exchange administration policies for direct investment are further simplified, which specifically include cancelling the two administrative approvals, i.e., the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; simplifying confirmation registration and administration over a foreign investor's capital contribution under domestic direct investment; and cancelling the annual foreign exchange inspection of direct investment.

According to the Notice on the Reform of the Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-Invested Enterprises (Hui Fa [2015] No. 19) (關於改革外商投資企業外匯資本金結匯管理方式的通知(匯發[2015]19號)) promulgated by the SAFE, a voluntary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, and RMB funds from voluntary settlement of capital funds shall be deposited into and managed under an "account for foreign exchange fund settled and to be paid".

Customs, Import and Export

Customs Law

In accordance to Customs Law of the PRC (中華人民共和國海關法) adopted in 22 January 1987, subsequently amended in 8 July 2000, 29 June 2013, 28 December 2013 and 7 November 2016, the recipient and sender of import and export goods completing customs declaration formalities must register with the Customs in accordance with the laws. According to Administrative Provisions for Registration of Customs Declaration Agents of the PRC (中華人民共和國海關報關單位註冊登記管理

規定) promulgated by the General Administration of Customs of the PRC(中華人民共和國海關總署) on 13 March 2014, after registration with the Customs, the recipient and sender of import and export goods may complete customs declaration formalities in any border port or locality for conducting business under Customs supervision within the territory of the PRC.

Import and Export Merchandise Inspection Law

In accordance to Import and Export Merchandise Inspection Law of the PRC (中華人民共和國進出口商品檢驗法) effective on 1 August 1989, subsequently amended on 28 April 2002 and 29 June 2013 and its implementation ordinance, the recipient and sender of import and export goods may complete the application formalities of customs inspection by themselves or authorise an agent to complete this procedure. The government maintains a documentary record and registration system for application formalities of customs inspection completed by the recipient and sender of import and export goods by themselves. The recipient and sender of import and export goods completing quarantine formalities must submit documentary records to the relevant entry and exit quarantine inspection body in accordance to the laws.

External Trade Law of the PRC

In accordance to External Trade Law of the PRC (中華人民共和國對外貿易法) adopted on 12 May 1994, subsequently amended on 6 April 2004 and 7 November 2016, external trading enterprise engaged in the import and export of goods or technology shall register with and submit documentary record to the responsible external trade department under the State Council or governmental body authorised by the State Council. The Customs shall not process customs declaration submitted by external trading enterprise not registered in accordance with the laws.

Intellectual Property

Patent

According to Patent Law of the PRC (中華人民共和國專利法) amended on 27 December 2008 and Detailed Implementation Rules for Patent Law of the PRC (中華人民共和國專利法實施細則) amended on 9 January 2010, there are three types of patents in the PRC, namely, "Invention Patent", "Patent for Utility Model" and "Design Patent". Copyright to "Invention Patent" is valid for 20 years from the date of application; validity of both "Patent for Utility Model" and "Design Patent" is 10 years from the date of application. A patent owner shall pay an annual fee from the year it is granted the patent. A patent shall terminate upon its expiry. However, if no annual fee has been paid as required, or the patent owner has given up its patent by a written declaration, the patent shall be subject to early termination before its expiry.

Trademark

Trademark is protected by Trademark Law of the PRC (中華人民共和國商標法) amended on 30 August 2013 and Implementation Ordinance for Trademark Law of the PRC (中華人民共和國商標法實施條例) adopted by the State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office of SAIC is responsible for processing trademark registration application and granting 10-year validity period for registered trademark. Such period may be further extended for 10 years on each application of the trademark owner. The trademark law in the PRC adopts the principle of "prior application". If the trademark under application is the same or similar to a merchandise or service registered to another party or if it is the same or similar to a trademark granted preliminary approval, the foregoing trademark registration application may be rejected for processing. The trademark applicant shall not injure another party's existing prior rights, nor may the applicant maliciously register a trademark that had been used by another party which already had "certain influence".

Domain name

In accordance to Management Method for the PRC Internet Domain Names (中國互聯網域名管理辦法) promulgated by MIIT on 5 November 2004 and came into effect on 20 December 2004, and Details for Implementation of Registration of the PRC Internet Domain Names (中國互聯網域名註冊實施細則) promulgated by CNNIC on 28 May 2012 and came into effect on 29 May 2012, domain name registration service follows the principle of "first apply, first register". After a domain name is registered, the domain name applicant becomes owner of the domain name registered. In the case of changes in registered information on the domain name, the domain name owner should apply to the domain name registration body for changing the registered information on the domain name within 30 days of the change. Moreover, the domain name owner shall pay maintenance fee of the registered domain name as due. Where the domain name owner fails to pay the relevant fee as required, the original domain name registration service provider shall cancel the said domain name and send a written notice to the domain name owner.

Production Safety

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) (promulgated by the SCNPC on 29 June 2002, became effective on 1 November 2002 and amended on 27 August 2009 and 31 August 2014 respectively), entities that are engaged in the production and business operation activities within the territory of the PRC shall (i) observe the Production Safety Law and other relevant laws and regulations concerning production safety; (ii) strengthen the administration of production safety; (iii) improve the measures for safety protection of production sites; and (iv) establish and perfect the system of responsibility for safety accidents to ensure the work safety in production sites. The production entities shall implement national standards or industrial standards for safety formulated according to laws, and provide conditions for safe production stipulated by national standards or industrial standards. Entities that do not meet the conditions for safety production shall not engaged in production and operation activities.

Product Quality Standards

According to the Standardisation Law of the PRC (中華人民共和國標準化法) promulgated by the SCNPC on 29 December 1988 and became effective on 1 April 1989, national standards should be established for technical requirements required to be unified nationwide. Industry standards may be established for technical requirements required to be unified in certain industry in the PRC. The national and industry standards are divided into two types: mandatory and recommended. Mandatory standards must be adhered to, and products not conform to mandatory standards are prohibited to be produced, sold and imported. The PRC government encourages enterprises to adopt recommended standards voluntarily.

The national mandatory standards Limited formaldehyde emission of interior decorative material, wood-based board and products thereof (室內裝飾裝修材料、人造板及其製品中甲醛釋放限量(GB18580-2001)) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國質量監督檢驗檢疫總局) on 10 December 2001 and became effective on 1 January 2002 applies to various wood-based board and products thereof used in interior decoration that discharge formaldehyde.

Use of Dangerous Chemicals

According to the Regulations on the Safety Administration of Dangerous Chemicals (危險化學品安全管理條例) promulgated by the State Council of the PRC on 26 January 2002 and amended on 16 February 2011, the usage conditions (including the process) of the entities using dangerous chemicals shall meet the requirements of the relevant laws and administrative regulations as well as national standards and industrial standards, and shall establish and improve the safety management regulations and safe operation rules for use of dangerous chemicals according to the categories, dangerous properties, the use quantity and the way of use of the dangerous chemicals, so as to guarantee the safe use of dangerous chemicals. If a chemical entity uses dangerous chemicals in production and the quantities of the dangerous chemicals reach the prescribed threshold, the entities shall obtain the licenses for safety use of dangerous chemicals under the provision of this regulation.

Others

SAFE Circular No.37

In accordance to the SAFE Circular No.37, domestic resident (including domestic corporate entity and individual domestic resident) which/who, for the purposes of investment and financing, directly establishes or indirectly controls special-purpose company, and directly or indirectly undertakes domestic direct investment activities through such special-purpose company using legitimately held domestic company assets or interests or using legitimately held overseas company assets or equities, i.e., the activity of establishing domestic foreign investment enterprise or project by merger and acquisition or incorporating new entity while acquiring ownership title, controlling right, rights of business operation and management and so on must apply to SAFE for registration of foreign exchange for overseas investment.

M&A Rules

In accordance to the M&A Rules, (i) when the non-foreign investment equities of a domestic company ("**Domestic Enterprise**") is acquired by a foreign investor, transforming said Domestic Enterprise into a foreign investment enterprise; or subscribe the equity of a domestic enterprise through increasing the registered capital, so as to turn the domestic enterprises into a foreign investment enterprise; or (ii), the foreign investor incorporates an foreign investment enterprise and acquires and operates the assets of a Domestic Enterprise through the said foreign investment enterprise, or acquiring the assets of a Domestic Enterprise as investment capital to incorporate another foreign investment enterprise, the foreign investor shall be subject to the approval of the MOFCOM of the PRC or the provincial commerce department, and shall handle registration of change or registration of establishment with the SAIC or its authorised local industry and commerce bureaus.

The merger and acquisition of a domestic company with or by a domestic company, enterprise or individual, that has a related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual, shall be subject to examination and approval by the MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

According to the Notice of the Ministry of Commerce on Decentralising the Examination and Approval Power for Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知) issued by the MOFCOM on 10 June 2010, the formation and change of foreign-invested enterprises with a total investment of USD300.0 million or less in the encouraged or permitted category or USD50.0 million or less in the restricted category (hereinafter referred to as "quota") of the Catalogue of Industries for Guiding Foreign Investment shall be subject to the examination, approval and management of the commerce departments of provinces etc. In particular, the quota for a domestic enterprise merged by a foreign investor shall be the volume of the merger transaction.

II. PAKISTAN LAWS AND REGULATIONS

Introduction

Pakistan is a federation, and its governing laws are generally divided into federal and provincial laws. The federal laws are applicable across Pakistan, whereas provincial laws are applicable in the province in which they have been promulgated. The four (4) provinces of Pakistan are namely: Punjab, Sindh, Khyber Pakhtunkhwa (the "**KPK**") (previously known as the North West Frontier Province) and Baluchistan. The Islamabad Capital Territory (the "**ICT**") is not covered by any of the aforesaid provincial laws, and is governed by its own laws. Furthermore, Pakistan also includes the Federally Administered Tribal Areas (the "**FATA**"); and the self-governing region of Gilgit-Baltistan. Federal and provincial laws become applicable to the FATA and the Provincially Administered Tribal Area, if the President of Pakistan or the governor of the respective province so directs.

The following sets forth a summary of the most significant laws and regulations that affect our business in Pakistan. Information contained in the following should not be construed as a comprehensive summary of laws and regulations applicable to us.

Import and Customs

Import Laws

According to the Imports and Exports (Control) Act of Pakistan, 1950 (the "**Import and Exports Act**"), promulgated by the Parliament of Pakistan on and effective from 19 April 1950, the Federal Government of Pakistan may, by an order published in the official gazette and subject to such conditions and exceptions as may be made by or under the order, prohibit, restrict or otherwise control the import and export of goods of any specified description, or regulate generally all practices (including trade practices) and procedure connected to the import or export of such goods (Section 3 of the Import and Exports Act).

According to the Import Policy Order of Pakistan, 2016 (the "**Import Policy Order**"), made under the Import and Exports Act, by the Ministry of Commerce, Government of Pakistan, on and effective from 18 April 2016, the import of all goods is allowed from worldwide sources unless otherwise elsewhere specified to be banned, prohibited or restricted in the Import Policy Order (Section 4 of the Import Policy Order). Under the Import Policy Order, fly paper, misprinted plastic/paper scrap having brand of edible products, security papers and cigarette making paper, shall be importable subject to the conditions laid down in the Import Policy Order (Section 5(B) read with Appendix B of the Import Policy Order).

Customs law

According to the Customs Act of Pakistan, 1969 (the "**Customs Act**"), promulgated by the Parliament of Pakistan on 8 March 1969 and effective from 1 January 1970, customs duties shall be levied on goods imported into Pakistan at such rates as are prescribed in the First Schedule of the Customs Act or under any other law for the time being in force (Section 18 of the Customs Act).

According to the Free Trade Agreement (the "**FTA**") signed by and between Pakistan and PRC on 24 November 2006, each party shall progressively eliminate its import customs duties on goods originating in the territory of another party in accordance with the FTA (Section 18 of the Customs Act and Article 8 of the FTA).

Anti-Dumping Laws

According to the Anti-Dumping Duties Act of Pakistan, 2015 (the "**Anti-Dumping Act**"), promulgated by the Parliament of Pakistan on and effective from 8 September 2015, the National Tariff Commission of Pakistan (the "**Commission**") shall impose anti-dumping measures on products imported into Pakistan when it determines, pursuant to an investigation, that an investigated product is being dumped and injury is being caused to the domestic industry (Sections 3 of the Anti-Dumping Act).

An investigated product shall be considered to be dumped that is, introduced in the commerce of Pakistan at a price which is less than its normal value (Section 4 of the Anti-Dumping Act).

A determination of injury shall be based on an objective examination of all relevant factors by the Commission which may include but shall not be limited to (Section 15 of the Anti-Dumping Act):

(a) volume of dumped imports;

(b) effect of dumped imports on prices in domestic market for like products (a product which is alike in all respects to an investigated product or, in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the investigated product (Section 2(n) of the Anti-Dumping Act); and

(c) consequent impact of dumped imports on domestic producers of such products.

Anti-dumping duties, whether provisional or definitive, as the case may be, imposed under the Anti-Dumping Act shall (Section 51 of the Anti-Dumping Act):

(a) take the form of ad valorem or specific duties, provided that provisional measures shall take the form of security by way of cash deposit;

(b) be imposed in addition to other import duties levied on an investigated product;

(c) be collected in the same manner as customs—duties under the Customs Act;

(d) be levied and collected on a non—discriminatory basis on imports of such product from all sources found to be dumped and causing injury, except as to imports from those sources from which price undertakings have been accepted by the Commission in accordance with the provisions of the Anti-Dumping Act; and

(e) will not be levied on imports that are to be used as inputs in products destined solely for export.

The amount of the anti—dumping duty shall not exceed the margin of dumping established by the Commission but it may be less than the margin if such lesser duty would be adequate to remove injury to the domestic industry (Section 50(2) of the Anti-Dumping Act).

Taxation

Income Tax

The Income Tax Ordinance of Pakistan, 2001 *(the "**Income Tax Ordinance**")*, promulgated by the President of Pakistan and came into effect on 1 July 2002.

According to the Income Tax Ordinance a non-resident company is charged income tax on business income directly or indirectly attributable to a permanent establishment (the "**PE**") of the non-resident company in Pakistan, sales in Pakistan of goods or merchandise of the same or similar kind as those sold by the person through the PE in Pakistan, other business activities carried on in Pakistan of the same or similar kind as those affected by the non-resident through the PE in Pakistan, or any business connection of the non-resident in Pakistan (Sections 83 and 100(3) of the Income Tax Ordinance).

The provisions of the Income Tax Ordinance with respect to taxation of non-residents are, however, subject to the applicable double taxation treaty (Section 107 of the Income Tax Ordinance). Under the terms of the Agreement Between The Government Of The People's Republic Of China And The Government Of The Islamic Republic Of Pakistan For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income (the "Pak-China DT Agreement") which came into force on 27 December 1989, the profits of a company resident in the PRC shall be taxable only in the PRC unless the company carries on business in Pakistan through a PE situated in Pakistan. If the company carries on business as aforesaid, the profits of the company may be taxed in Pakistan but only so much of them as are attributable to the PE in Pakistan (Article 7 of the Pak-China DT Agreement).

A PE is established under the Pak-China DT Agreement by having a fixed place of business through which the business of an enterprise is wholly or partly carried on. A PE under the Pak-China DT Agreement includes specifically, but is not limited to, a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas well, a quarry or any other place of extraction of natural resources, a permanent sales exhibition, a building site, and a construction, assembly or installation project or supervisory activities in connection therewith (but only where such site, project or activities continue for a period of more than six (6) months). An agent in Pakistan may constitute a PE if he is a dependent agent, or is an independent agent acting outside the ordinary course of his business (Article 5 of the Pak-China DT Agreement).

A non-resident company, if chargeable to income tax in Pakistan, is required to register as a tax-payer and apply for a National Tax Number, and is required to file returns of income for every tax year (Sections 114 and 182 of the Income Tax Ordinance read with Rule 81A of the Income Tax Rules, 2002).

Sales Tax

According to the Sales Tax Act of Pakistan, 1990 *(the "**Sales Tax Act**")*, promulgated by the Parliament of Pakistan and came into effect on 1 November 1990, the liability to pay tax shall be in case of goods imported into Pakistan, of the person importing the goods (Section 3 of the *Sales Tax Act*).

Consumer Protection

Consumer Protection Laws

The relevant consumer protection laws in Pakistan include (i) the Punjab Consumer Protection Act, 2005 (the "**Punjab Consumer Act**"), promulgated by the Provincial Assembly of Punjab on and effective from 25 January 2005; (ii) the Sindh Consumer Protection Act, 2014 (the "**Sindh Consumer Act**"), promulgated by the Provincial Assembly of Sindh on and effective from 18 March 2015; (iii) the Islamabad Consumers Protection Act, 1995 (the "**ICT Consumer Act**"), promulgated by the Parliament on and effective from 18 October 1995; (iv) the Khyber Pakhtunkhwa Consumer Protection Act, 1997 (the "**KPK Consumer Act**"), promulgated by the Provincial Assembly of the KPK on and effective from 27 November 1997; (v) the Baluchistan Consumer Protection Act, 2003 (the "**Baluchistan Consumer Act**"), promulgated by the Provincial Assembly of Baluchistan on and effective from 30 October 2003.

Punjab

The Punjab Consumer Act extends to the province of Punjab only. According to the Punjab Consumer Act a manufacturer of a product is liable to a consumer for, inter alia, damages proximately caused by a characteristic of the product that renders the product defective when such damage arose from a reasonably anticipated use of the product by a consumer. A product shall be defective only if it is defective in construction or composition, in design, because an adequate warning has not been given; and because it does not conform to an express warranty of the manufacturer (Section 4 of the Punjab Consumer Act).

In accordance with the Punjab Consumer Act, no person shall, inter alia, make a false, deceptive or misleading representations about the products sold to the consumers (Section 21 of the Punjab Consumer Act). Furthermore, no person shall, in trade, advertise or supply at a specified price products or services which that person: (i) does not intend to offer for supply; or (ii) does not have reasonable grounds for believing that they can be supplied at that price for a period that is, and in quantities that are, reasonable having regard to the nature of the market in which the person carries on business and the nature of the advertisement (Section 22 of the Punjab Consumer Act).

Sindh

The Sindh Consumer Act extends to the province of Sindh only. The provisions of the Sindh Consumer Act are substantially similar to the Punjab Consumer Act and therefore have not been discussed for the purposes of brevity.

ICT

The ICT Consumer Act extends to the ICT only. Under the ICT Consumer Act, the Consumer Protection Council, Islamabad (the "Islamabad Council"), shall promote and protect the rights of the consumers (Section 5 of the ICT Consumer Act). Where any right of consumer required to be protected by the Islamabad Council is in any way infringed, the person responsible for such infringement shall be punished with imprisonment or fine or with both (Section 9(1) of the ICT Consumer Act).

According to the ICT Consumer Act no company, firm or person, shall advertise in any manner not authorised by law for the sale of goods and thereby cause loss to any consumer, whether financial or otherwise. Any company, firm or a person making such advertisement shall be liable to pay such compensation for causing loss to the person affected by such advertisement as the competent court may direct (Section 7 of the ICT Consumer Act).

KPK

The KPK Consumer Act extends to the province of KPK only. According to the KPK Consumer Act, every manufacturer shall publish or mark on every packet or container the maximum retail price, the nature, standard or type and other specifications of the goods therein, the weight, size or volume and date of manufacture and expiry where appropriate, as the case may be, having regard to the commercial practice in relation to those goods, the name and address of the manufacturer or in the case of a packer or importer, the trader thereof. If any goods are not sold in packed form or in container, it shall be sufficient if the required information is exhibited conspicuously in the shop where the sale is being made. If the price or catalogue or vendor instructions for the consumer are issued in relation to any goods, it shall be sufficient if the required information is published or marked on such catalogue or vendor instructions (Section 4 of the KPK Consumer Act).

Any trader who sells any goods not marked with afore-mentioned information shall incur the liabilities, unless he proves that the manufacturer of the goods or some other person identified by him is responsible for the offence and the onus of proof shall lie on such trader (Section 4 of the KPK Consumer Act).

According to the KPK Consumer Act no company, firm or person shall advertise in any manner not authorised by law for the sale of goods and thereby cause loss to any consumer, whether financial or otherwise. Any company, firm or a person or undertaking making such advertisement shall be liable to pay such compensation for causing loss to the person affected by such advertisement as the competent court may direct (Section 7 of the KPK Consumer Act).

Furthermore, under the KPK Consumer Act, a manufacturer, trader and goods or services provider shall not indulge in any unfair trade practices (Section 7C of the KPK Consumer Act).

Where any right of consumer required to be protected under the KPK Consumer Act, is in any way infringed, or is likely to be infringed, the person responsible for such infringement shall be punished with rigorous imprisonment or fine or with both and shall also be liable to provide such compensation or relief to the consumer as may be determined by the competent court. The court may, where it is deemed necessary for protection of the rights of other consumers, order for confiscation of any goods or material or direct for their destruction or for removal of the defect(s) of the product involved or replacement thereof (Section 16 of the KPK Consumer Act).

III. INDIAN LAWS AND REGULATIONS

Importer Exporter Code

Pursuant to the (the Indian) Foreign Trade (Development and Regulation) Act, 1992 (the "**Foreign Trade Act**"), no person is permitted to make any import or export except under an importer-exporter code (an "**IEC**") number granted by the Director General of Foreign Trade of India. Section 8(1)(a) of the Foreign Trade Act provides that any contravention of any law relating to central excise, customs, foreign exchange or other economic laws as may be notified by the Central

Government of India is ground for the suspension/cancellation of the IEC number. The Rules framed under the Foreign Trade Act require us to state (in the Bill of Entry or the Shipping Bill or any other documents prescribed under the Customs Act 1962) the value, quality and description of the goods that are imported in India.

Product Safety

Apart from collection of duty, the governmental authorities in India have also been entrusted with the responsibility of ensuring compliance with prohibitions or restrictions imposed on the import of goods under the Foreign Trade Policy and other applicable laws which include (a) Drugs and Cosmetics Act, 1940 and Drug and Cosmetics Rules, 1945, (b) Insecticide Act, 1968, (c) Plants, Fruits and Seeds (Regulation of Import into India) Order, 1989, (d) Hazardous Waste (Management and Handling) Rules, 2003, and (e) Legal Metrology Act, 2009 and Legal Metrology (Packaged Commodities) Rules, 2011 (collectively, "**Allied Acts**").

Our importers in India need to ensure that all our goods being imported in India are compliant with the stipulations contained in the said laws, failing which the said goods cannot be imported in the country. These requirements are referred to as Compulsory Compliance Requirements ("**CCRs**"). The Central Government of India has formed a Customs Electronic Risk Management System which has a consolidated database of CCRs arising out of Allied Acts which are administered by various governmental departments in coordination with the customs authorities. Import of goods is also regulated by other laws such as the Environment (Protection) Act, 1986, the Wildlife (Protection) Act, 1972, the Arms Act, 1959. The provisions of the Customs Act, 1962 empower the law enforcing agencies to confiscate any goods which are imported or attempted to be imported in India, contrary to any prohibition imposed by not just the Customs Act, but also any other law for the time being in force.

Our importers are required to ensure that our goods being imported in India comply with the Indian Quality Standards. Further, our goods also need to comply with the International Standards for Phytosanitary Measures so as to reduce the risk of introduction or the spread of quarantine pests associated with wood packaging material (including dunnage) in use in international trade. Contravention of these requirements shall render the goods ineligible for being imported in India. If imported, such goods shall be seized and the importer shall be fined and/or punished with imprisonment under the Bureau of Indian Standards Act, 2016.

Labelling of the goods imported into India

The Legal Metrology (Packaged Commodities) Rules, 2011 ("**Metrology Rules**") have been framed under the Legal Metrology Act, 2009 ("**Metrology Act**") which establishes and enforces standards of weights and measures of goods which are sold or distributed by weight, measure or number. Our products comprise of decorative paper, melamine impregnated paper, finish foil paper and PVC decorative material. In this regard, the Metrology Rules provides for declarations to be made with regard to the number of usable sheets on the package of the goods. It provides that in case of a package containing any type of sheets of paper, the declaration of quantity on the package shall also include a statement as to the number of usable sheets contained in the package and the dimensions of each such sheet. Our importers are entrusted with the duty to ensure that these requirements are complied with. Contravention of these requirements will lead to forfeiture of goods, fines and imprisonment of the importer under the Metrology Act.

Taxation Laws

The material taxation laws of India which are applicable to our business in India are stated as under:

(i) **Anti-dumping and Customs Duty**

The Customs Act, 1962 is the basic legislation for levy and collection of customs duty in India. It contains various provisions relating to imports and exports of goods and merchandise as well as baggage of persons arriving in India. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods. The rates at which the duties are to be levied under this Act have been specified under the Customs Tariff Act, 1975.

The Customs Tariff Act, 1975 as amended in 1995, and (i) the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, and (ii) Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidised Articles and for Determination of Injury) Rules, 1995 framed thereunder form the legal basis for anti-dumping and anti-subsidy investigations and for the levy of anti-dumping and countervailing duties. Pursuant to the Customs Tariff Act, 1975, in case our goods are exported to India at less than its normal value, then, upon the importation of such article into India, the central government of India may impose an anti-dumping duty not exceeding the margin of dumping in relation to such article. The normal value of any article under these laws is the comparable price at which the articles under complaint are sold, in the ordinary course of trade, in the domestic market of the exporting country or territory. If the normal value cannot be determined by means of the domestic sales, the following two alternative methods may be employed to determine the normal value: (a) comparable representative export price to an appropriate third country, and (b) constructed normal value, i.e. the cost of production in the country of origin with reasonable addition for administrative, selling and general costs and reasonable profits. The designated authority may initiate investigation into any dumping alleged to have been taken place into India and causing injury to the domestic industry of any third country which is a member of the World Trade Organisation. A dumping investigation can normally be initiated only upon receipt of a written application by or on behalf of the "domestic industry", i.e. the Indian producers of the like articles as a whole. Hence, in our case, such application can be made by Indian producers of decorative paper, melamine impregnated paper, finish foil paper and PVC decorative material.

(ii) **The Goods and Services Act**

The Constitution (One Hundred and Twenty-second Amendment) Bill, 2014 after incorporation of certain revisions therein was titled the Constitution (One Hundred and First Amendment Act) 2016 ("**GST Act**") and was recently passed by the Indian Parliament with an aim to implement a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It shall replace all indirect taxes levied on goods and services by the Indian Central and State governments thereby giving effect to the "one nation, one tax" policy of the Government of India.

The GST Act prescribes that import of goods into the territory of India would be deemed to be an inter-state supply, thereby triggering the Inter-State Goods and Services Tax ("**IGST**"). As a consequence, the computation of customs duty under the GST regime would have two components, i.e. basic customs duty and IGST. The proposed levy of IGST would subsume the current levy of countervailing duty and additional duty of customs. The levy of IGST will be collected by the customs authorities at the time of import into India and will be payable for each transaction. A compensation cess shall also be levied on import of certain specified goods.

In order to effectuate the GST Act, the Central GST Act, 2017, the Union Territory GST Act, 2017, the Integrated GST Act, 2017 and the GST (Compensation to States) Act, 2017 have been passed by the Parliament of India. The states are in the process of enacting their respective State Goods and Services Tax Bills. In the final phase of preparation for the transition to the new GST regime, certain provisions of the Central GST Act and the IGST Act with respect to appointment of officers and authorities, registration of eligible taxpayers and transition have been notified. The GST is intended to be implemented in India from July 1, 2017.

Consumer Protection

Product liability in India is mainly governed by the Consumer Protection Act, 1986 (the "**CPA**"), by imposing liability on manufacturers, wholesalers, distributors and vendors for injury to a person or property caused by dangerous or defective products. The CPA imposes strict liability on a manufacturer, in case of supply of defective goods by him, and a service provider, in case of deficiency in rendering of its services. The terms "defect" and "deficiency" are given a broad interpretation and cover any kind of fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard. "Manufacturer" has been described as a person who makes or manufactures any goods or parts or does not make or manufacture any goods but assembles parts thereof made or manufactured by others or puts or causes to be put his own mark on any goods made or manufactured by any other manufacturer. Hence, we fall within the definition of "manufacturer" under the CPA and as such, in case any of our goods are defective, consumers of our goods may initiate legal action against us under the CPA, besides initiating legal action against our importers in India, and the vendors of our goods.

IV. INTERNATIONAL SANCTIONS

United States

There are three key U.S. legal and regulatory regimes potentially applicable to the Company: (i) domestic or "primary" U.S. sanctions principally applicable to "U.S. persons" (individuals and entities) and administered by OFAC, (ii) extraterritorial or "secondary" U.S. sanctions asserted against non-U.S. persons and administered by OFAC and the U.S. Department of State, and (iii) U.S. Export/Re-Export Controls applicable to products exported from the U.S. and products exported and re-exported throughout the world with U.S. content.

U.S. primary sanctions generally apply to "U.S. persons." The term "U.S. persons" includes: (i) any individual who is a U.S. citizen or permanent resident of the U.S., including dual citizens, regardless of his or her current location in the world, (ii) any individual, regardless of his or her nationality, while physically located in the U.S., (iii) any corporation, partnership, association, or other organisation organised under the laws of the U.S. or of any state, territory, possession, or district of the U.S., (iv) the foreign branches of any U.S. corporation, partnership, association or other organisation organised under the laws of the United States or of any state, territory, possession or district of the U.S., and (v) U.S. branches or subsidiaries of non-U.S. companies.

In the case of U.S. sanctions applicable to Cuba and Iran, primary sanctions also apply to all non-U.S. subsidiaries of U.S. companies and any other non-U.S. entities owned or controlled by U.S. persons.

U.S. primary sanctions directly impose prohibitions on transactions and dealings with targeted countries, entities, and individuals. Primary sanctions principally apply to U.S. persons, although they may be applied to non-U.S. persons who cause U.S. persons to violate sanctions or otherwise facilitate the violation of some sanctions programs.

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, including: (i) non-U.S. persons who are dealing in "confiscated" property in Cuba, (ii) non-U.S. persons who are engaging in human rights abuses or evading US sanctions on Iran and Syria, (iii) non-U.S. persons who are contributing to the development of nuclear weapons by Iran, (iv) non-U.S. persons who are providing support to the Iranian Revolutionary Guard Corps, and (v) non-U.S. persons who are providing material support, goods, services or technology to Iranian SDNs.

Unlike U.S. economic sanctions that apply based on the persons involved, U.S. export controls apply based on the product involved. Any item that is sent from the U.S. to a foreign destination is an export. "Items" include commodities, software or technology, circuit boards, blue prints, design plans, retail software packages and technical information. The U.S. Department of Commerce, Bureau of Industry and Security regulates exports of commercial and dual-use products, software and technology. These controls are authorised by the Export Administration Act of 1979, as amended and extended, and implemented by the U.S. Export Administration Regulations, 15 C.F.R. Parts 730-774.

European Union

Sanctions are one of the E.U.'s tools to promote the objectives of its Common Foreign and Security Policy; being peace, democracy and the respect for the rule of law, human rights and international law.

Sanctions applicable in the E.U. stem from: (i) sanctions adopted by the U.N., or (ii) autonomous sanctions implemented by the E.U. without any UN action.

The European Union will implement sanctions measures via a unanimous decision of the Council of the European Union. Members States of the E.U. are then legally bound to act in conformity with the decision. Certain sanctions, such as arms embargoes and travel bans, are implemented directly by European Union Member States. Such measures only require a decision by the Council. Economic sanctions measures require separate implementing legislation in the form of a Council Regulation.

Council Regulations are directly applicable in European Union Member States. However, some Member States will nevertheless enact national legislation implementing the E.U. sanctions measures. In addition, individual Member States are responsible for establishing measures to set and impose offences and related penalties, the implementation and enforcement of E.U. sanctions measures, and for establishing relevant competent licencing authorities.

E.U. sanctions regimes are generally targeted, meaning that the relevant prohibitions or restrictions are focused on individual people or organisations, certain sectors or the target's economy, specified goods, technology, technical assistance and wider associated services, or specific activities.

E.U. sanctions measures have also been extended to apply in the UK Overseas Territories, including the Cayman Islands and the BVI. Although the UK is an European Union Member State, the UK Overseas Territories (apart from Gibraltar) are not. Despite this, the UK Overseas Territories are nevertheless subject to the UK's foreign policy which implements the European Union's CFSP. On this basis, the UK Government legislates to extend the application of European Union sanctions measures to the UK Overseas Territories.

United Nations

U.N. sanctions measures are adopted via a Resolution of the U.N. Security Council. U.N. Security Council Resolutions are binding upon all members of the U.N.. U.N. Member States are required to bring into force (i.e. implement, administer and enforce) national measures to ensure compliance with the measures prescribed in the U.N. Security Council Resolution. The main aim of UN sanctions measures, as set out in the U.N. Charter, is to maintain or restore international peace and security.

Australia

Australia has a dual sanctions regime consisting of sanctions measures imposed by the U.N., together with Australian autonomous sanctions imposed by the Government as a matter of its foreign policy.

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to: (i) any person in Australia, (ii) any Australian anywhere in the world, (iii) companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or (iv) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to U.N. sanctions.

The UN sanctions regimes are primarily implemented under the Charter of the United Nations Act 1945 (Cth) and its sets of regulations. The Australian autonomous sanctions regimes are primarily implemented under the Autonomous Sanctions Act 2011 (Cth) and the Autonomous Sanctions Regulations 2011 (Cth). These autonomous sanctions laws are created by the Minister of Foreign Affairs by legislative instrument.

OVERVIEW

We are a manufacturer of decorative printing materials products based in the PRC. Our Company was incorporated in the Cayman Islands with limited liability on 25 July 2013 and became the holding company of our Group upon completion of the Reorganisation on 15 January 2015. As at the Latest Practicable Date, Mr. Sheng and Bright Commerce, a company wholly-owned by Mr. Sheng, were the Controlling Shareholders of our Company.

Our Group comprises of our Company, Haoyu Capital, Splendecor Hong Kong, Shenglong Decoration, Splendor Decoration and Jiayou Art.

Early History

In view of the growing demand for decorative printing materials products both in the PRC and overseas in the manufacturing of furniture, Mr. Sheng began to explore the business potential and prospects in the decorative printing materials products industry in early 1990s. Hangzhou Lin'an Decorative Paper Printing Factory* (杭州臨安裝飾紙印花廠) ("**Hangzhou Lin'an Factory**") was first established in the PRC as a collectively-owned enterprise in July 1993 under the then historical environment and its registered capital of RMB1.2 million was solely contributed by Mr. Sheng. As advised by our PRC Legal Advisers, as economic environment and policies in China changed after the establishment of Hangzhou Lin'an Factory and with a view to attract foreign investment, Mr. Sheng applied to cancel the business registration of Hangzhou Lin'an Factory and established a private enterprise under the same name of Hangzhou Lin'an Factory (which is the former name of Shenglong Decoration) which would absorb all the rights and obligations of the previous collectively-owned enterprise. On 19 November 1996, Lin'an Industrial and Commercial Bureau* (臨安工商局) approved the registration of the establishment of Hangzhou Lin'an Factory as a private enterprise and the previous collectively-owned enterprise was dissolved on 4 December 1996.

Key Milestones

The following table sets out key milestones of our Group since establishment:

Year	**Milestones**
1993	Hangzhou Lin'an Factory was established as a collectively-owned enterprise in Hangzhou, the PRC and commenced the production of finish foil paper.
1996	Shangguafan Factory commenced operation and Shenglong Decoration was established as a private enterprise in Hangzhou, the PRC under the name of Hangzhou Lin'an Factory.
1999	Splendor Decoration was established in Hangzhou, the PRC.
2001	Production of decorative paper and melamine impregnated paper commenced.
2007	ISO 14001 and ISO 9001 certifications obtained.

2013 Production of PVC flooring film commenced.

2014 Yangdai Factory, the second production site of our Group, commenced operation.

2015 Production of PVC furniture film commenced.

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands on 25 July 2013 with limited liability under the name of Splendecor International Limited (盛龙国际有限公司) and was a wholly-owned subsidiary of Bright Commerce at the time of incorporation. On 30 August 2016, the name of our Company was changed to SHENGLONG SPLENDECOR INTERNATIONAL LIMITED (盛龍錦秀國際有限公司). Please refer to the paragraph headed "Further information about our Company and our subsidiaries — Changes in share capital of our Company" in Appendix V to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group. The principal business of our Company is investment holding.

Haoyu Capital

Haoyu Capital was incorporated in the BVI with limited liability on 26 June 2013 and was wholly-owned by Mr. Ren at the time of incorporation. As a result of the Reorganisation, Haoyu Capital became a direct wholly-owned subsidiary of our Company. The principal business of Haoyu Capital is investment holding.

Splendecor Hong Kong

Splendecor Hong Kong was incorporated in Hong Kong with limited liability on 8 July 2013 and was a wholly-owned subsidiary of Haoyu Capital at the time of incorporation. As a result of the Reorganisation, Splendecor Hong Kong became an indirect wholly-owned subsidiary of our Company. The principal business of Splendecor Hong Kong is investment holding.

Shenglong Decoration

Shenglong Decoration was incorporated in the PRC under the name of Hangzhou Lin'an Factory as a private enterprise on 19 November 1996 with an initial registered capital of RMB1.2 million contributed by Mr. Sheng and was wholly-owned by Mr. Sheng. The principal business of Shenglong Decoration is the manufacturing and sales of decorative printing materials products.

On 23 January 2002, the registered capital of Hangzhou Lin'an Factory was increased from RMB1.2 million to RMB3.8 million, which was contributed by Mr. Sheng.

On 16 April 2002, Hangzhou Lin'an Factory was transformed from a private enterprise to a limited liability company with its name changed to Lin'an Longsheng Decoration Co., Ltd.* (臨安市龍盛裝飾材料有限公司) ("**Lin'an Longsheng**"), and its registered capital was increased from RMB3.8 million to RMB5.0 million, whereby such increase of the registered capital of RMB1.2 million was contributed as to RMB0.7 million by Mr. Sheng and RMB0.5 million by Mr. Sheng Shifeng (盛世豐), the father of Mr. Sheng. Upon completion of the aforesaid increase in the registered capital, Lin'an Longsheng was owned as to 90.0% and 10.0% by Mr. Sheng and Mr. Sheng Shifeng, respectively.

On 21 October 2002, Mr. Sheng transferred his 46.08% and 43.92% (90.0% in total) equity interest in Lin'an Longsheng to Ms. Deng Qiufen (鄧秋芬) and Mr. Sheng Shifeng, respectively at a consideration equivalent to his share of the then registered capital of RMB4.5 million. The reason for the transfer to Ms. Deng Qiufen was that Ms. Deng Qiufen, an Independent Third Party, who was then in charge of the finance management and a key management staff of the Group, was rewarded by Mr. Sheng for her contribution to the Group and that Mr. Sheng would like to adjust the shareholding structure of Lin'an Longsheng. Such transfer was properly and legally completed on 29 October 2002. On 21 October 2002, the registered capital of Lin'an Longsheng was increased from RMB5.0 million to RMB12.8 million by a capital injection of RMB7.8 million contributed by Longsheng Investment. Longsheng Investment was a limited liability company incorporated in the PRC and owned as to 90.0% and 10.0% by Mr. Sheng and Mr. Sheng Shifeng, respectively by then.

Upon completion of the aforesaid increase in the registered capital and the transfer, Lin'an Longsheng was owned as to 60.94%, 21.06% and 18.0% by Longsheng Investment, Mr. Sheng Shifeng and Ms. Deng Qiufen, respectively.

On 27 October 2005, Ms. Deng Qiufen transferred her 18.0% equity interest in Lin'an Longsheng to Longsheng Investment at a consideration equivalent to her share of the then registered capital of RMB2.304 million. Such transfer was properly and legally completed on 29 October 2005. Upon completion of such transfer, Lin'an Longsheng was owned as to 78.94% and 21.06% by Longsheng Investment and Mr. Sheng Shifeng, respectively.

On 14 February 2006, Lin'an Longsheng changed its name to Zhejiang Shenglong Decoration Material Co., Ltd.* (浙江盛龍裝飾材料有限公司).

On 8 June 2010, Mr. Sheng Shifeng transferred his 21.06% equity interest in Shenglong Decoration to Mr. Sheng at a consideration equivalent to his share of the then registered capital of RMB2.696 million. Such transfer was properly and legally completed on 1 July 2010. Upon completion of such transfer, Shenglong Decoration was owned as to 78.94% and 21.06% by Longsheng Investment and Mr. Sheng, respectively.

On 14 November 2012, the registered capital of Shenglong Decoration was increased from RMB12.8 million to RMB20.65 million, and such increase of RMB7.85 million was contributed as to RMB2.78925 million, RMB2.78925 million, RMB619,500, RMB619,500, RMB619,500 and RMB413,000 by Ms. Sheng, Mr. Sheng Saiyu (盛賽宇), the son of Mr. Sheng, Mr. Wang, the then general manager of Shenglong Decoration, Ms. Wang Bingqin (王冰芹), the daughter of Mr. Wang, Mr. Jiang and Mr. Yu, respectively, to reflect their key positions and contributions to Shenglong

Decoration. Upon completion of the aforesaid increase in the registered capital, Shenglong Decoration was owned as to approximately 48.93%, 13.05%, 13.51%, 13.51%, 3.0%, 3.0%, 3.0% and 2.0% by Longsheng Investment, Mr. Sheng, Ms. Sheng, Mr. Sheng Saiyu, Mr. Wang, Ms. Wang Bingqin, Mr. Jiang and Mr. Yu, respectively.

On 14 August 2013, in order to introduce foreign investment into the Group, each of Ms. Sheng and Mr. Sheng Saiyu transferred their 13.51% equity interests in Shenglong Decoration at a consideration of RMB7.43 million to Splendecor Hong Kong which was then wholly-owned by Mr. Ren. Based on Mr. Ren's equity interest in our Company and 500,000,000 Shares issued and to be issued immediately following completion of the Share Offer and the Capitalisation Issue, the cost per Share paid by Mr. Ren through Splendecor Hong Kong was approximately RMB0.147 and the respective discount to the Offer Price of HK$0.675 per Offer Share (being the mid-point of the indicative Offer Price range of HK$0.55 to HK$0.80 per Offer Share) was approximately 75.7%.

Mr. Ren acquainted Mr. Sheng through the introduction of Mr. Jiang in 2012. Mr. Jiang and Mr. Ren were classmates at university. Mr. Ren graduated from the Peking University with a bachelor of law in July 1997 and received a master of law from the University of Harvard in June 1999. Mr. Ren currently serves as director of following listed companies: a non-executive director of China Child Care Corporation Limited, listed on the Stock Exchange (stock code: 1259), a non-executive director of Labixiaoxin Snacks Group Limited, listed on the Stock Exchange (stock code: 1262), an independent non-executive director of Ronshine China Holdings Ltd., listed on the Stock Exchange (stock code: 3301) and an independent director of SPI Energy Co., Ltd., listed on the Nasdaq of the U.S. (stock symbol: SPI).To the best knowledge, information and belief of our Directors after having made reasonable enquiries, Mr. Ren invests in our Company in his personal capacity.

After the aforesaid transfer, Shenglong Decoration was owned as to approximately 48.93%, 27.01%, 13.06%, 3.0%, 3.0%, 3.0% and 2.0% by Longsheng Investment, Splendecor Hong Kong, Mr. Sheng, Mr. Wang, Ms. Wang Bingqin, Mr. Jiang and Mr. Yu, respectively. The consideration of the transfer was determined with reference to the net asset value of Shenglong Decoration as at 31 March 2013. Such transfer was properly and legally completed on 11 February 2014. As a result of the aforesaid transfer, Shenglong Decoration became a sino-foreign joint venture enterprise in the PRC.

As a result of the Reorganisation, Shenglong Decoration became an indirect wholly-owned subsidiary of our Company.

Splendor Decoration

Splendor Decoration was incorporated in the PRC as a limited liability enterprise. It was established on 23 November 1999 by Hangzhou Economic Development Zone Splendor Decoration Materials Co., Ltd.* (杭州經濟技術開發區錦秀裝飾材料有限公司) ("**Hangzhou Economic Jinxiu**") (owned as to 75.0% and 25.0% by Mr. Sheng and Mr. Li Zhongliang (李忠良), an Independent Third Party, respectively) and Century Frontier with a registered capital of RMB3.33 million, of which RMB2.5 million was contributed by Hangzhou Economic Jinxiu, representing an equity interest of 75.0%, and RMB830,000 was contributed by Century Frontier, representing an equity interest of 25.0%. The principal business of Splendor Decoration is the manufacturing of decorative paper and melamine board.

For the further development of Splendor Decoration, Mr. Sheng, Century Frontier and Mr. Li Zhongliang agreed to complete following steps on 5 August 2002:

(i) Hangzhou Economic Jinxiu entered into an equity transfer agreement with Mr. Sheng and Century Frontier for the transfer of 37.5% equity interest in Splendor Decoration held by it to each of Mr. Sheng and Century Frontier at a consideration of RMB1.25 million each, respectively.

(ii) Splendor Decoration entered into the agreement on the Merger by Absorption of Hangzhou Economic Development Zone Splendor Decoration Materials Co., Ltd.* (關於吸收合併杭州經濟技術開發區錦秀裝飾材料有限公司的協議) with Mr. Sheng and Mr. Li Zhongliang, who were the then shareholders of Hangzhou Economic Jinxu, pursuant to which Splendor Decoration would absorb and merge with Hangzhou Economic Jinxiu. After the merger by absorption, Hangzhou Economic Jinxiu would be dissolved and all the rights and obligations including but not limited to its assets and staff would be succeeded by Splendor Decoration.

(iii) A capital contribution agreement was entered into by and among Mr. Sheng, Mr. Li Zhongliang and Century Frontier, pursuant to which it was agreed that after the completion of the merger by the absorption mentioned above, Mr. Sheng would have 60.0% equity interest (i.e. capital contribution of RMB5.0 million), Mr. Li Zhongliang would have 15.0% equity interest (i.e. capital contribution of RMB1.25 million) and Century Frontier would have 25.0% equity interest (i.e. capital contribution of RMB2.08 million) in Splendor Decoration, respectively.

(iv) At the board meeting of Splendor Decoration, it was resolved that Mr. Li Zhongliang would transfer his 15.0% equity interest (i.e. capital contribution of RMB1.25 million) in Splendor Decoration to Mr. Sheng at a consideration of RMB1.25 million; and new shareholders including Mr. Yan Yangming (顏楊明), Mr. Lu Min (陸敏) and Mr. Huang Xudong (黃旭東), all being Independent Third Parties, were introduced to increase the registered capital of Splendor Decoration to RMB20.76 million.

(v) A share transfer agreement was entered into by and between Mr. Li Zhongliang and Mr. Sheng, pursuant to which Mr. Li Zhongliang would transfer his 15.0% equity interest (i.e. capital contribution of RMB1.25 million) in Splendor Decoration to Mr. Sheng at a consideration of RMB1.25 million.

(vi) A capital increase agreement was entered into by and among Mr. Sheng, Century Frontier, Mr. Yan Yangming, Mr. Lu Min and Mr. Huang Xudong, pursuant to which it was agreed that each of Century Frontier, Mr. Yan Yangming, Mr. Lu Min and Mr. Huang Xudong would inject capital of RMB3.11 million, RMB5.19 million, RMB3.092 million and RMB1.038 million, respectively, to Splendor Decoration.

Such transfers were properly and legally completed on 29 September 2002. Upon completion of the aforesaid transfers and the capital increase, Splendor Decoration was owned as to 30.11%, 25.0%, 25.0%, 14.89% and 5.0% by Mr. Sheng, Mr. Yang Yanming, Century Frontier, Mr. Lu Min and Mr. Huang Xudong, respectively.

For the exit of investments of certain shareholders of Splendor Decoration, each of Mr. Sheng, Mr. Yan Yangming, Mr. Lu Min and Mr. Huang Xudong entered into an equity transfer agreement with Shenglong Decoration on 28 February 2006, pursuant to which, Mr. Sheng, Mr. Yan Yangming, Mr. Lu Min and Mr. Huang Xudong transferred their respective entire equity interests in Splendor Decoration at the consideration of RMB6.25 million, RMB5.19 million, RMB3.092 million and RMB1.038 million, respectively, to Shenglong Decoration. Such transfer was properly and legally completed on 31 March 2006.

As a result of the above steps, Splendor Decoration was owned as to 75.0% by Shenglong Decoration and 25.0% by Century Frontier.

As a result of the Reorganisation, Splendor Decoration became an indirect wholly-owned subsidiary of our Company.

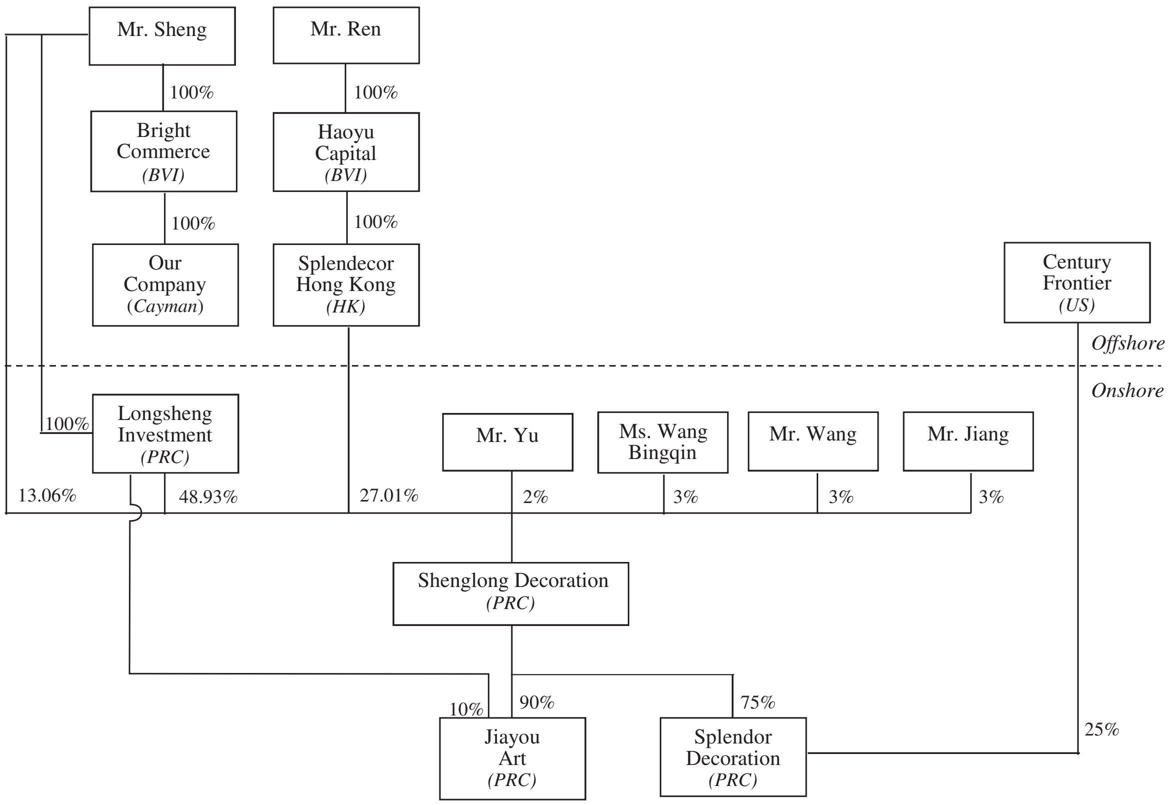
Jiayou Art

Jiayou Art was incorporated in the PRC as a limited liability enterprise on 28 June 2011 with an initial registered capital of RMB3.0 million and was owned as to 90.0% and 10.0% by Shenglong Decoration and Longsheng Investment, respectively. The principal business of Jiayou Art is the manufacturing and sales of craft pictures.

As a result of the Reorganisation, Jiayou Art became an indirect wholly-owned subsidiary of our Company and a direct wholly-owned subsidiary of Shenglong Decoration.

REORGANISATION

The following chart sets out the corporate and shareholding structure of our Group prior to the Reorganisation:



Our Group underwent the Reorganisation in preparation of the Listing which involved the following steps:

(1) Acquisition of 10% equity interest in Jiayou Art by Shenglong Decoration

On 21 January 2015, Shenglong Decoration and Longsheng Investment entered into an equity transfer agreement, pursuant to which Shenglong Decoration agreed to acquire RMB0.3 million in the registered capital of Jiayou Art, representing 10% equity interest in Jiayou Art, from Longsheng Investment at a consideration of RMB0.3 million. The consideration was determined with reference to the registered capital of Jiayou Art. The acquisition was completed on 23 January 2015, following which Jiayou Art became a wholly-owned subsidiary of our Group.

(2) Increase of authorised share capital of our Company

On 20 April 2015, the authorised share capital of our Company was increased from US$50,000 divided into 50,000 shares each with a par value of US$1.00 to the aggregate of US$50,000 and HK$100,000,000 by the creation of an additional 1,000,000,000 shares each with a par value of HK$0.10. On the same date, our Company allotted and issued 3,900,000 shares of HK$0.10 par value each to Bright Commerce, immediately followed by the repurchase of 50,000 shares of US$1.00 par value each held by Bright Commerce. On the same date, the authorised but unissued share capital of our Company was reduced by the cancellation of 50,000 shares of US$1.00 par value each, such that the authorised share capital of our Company became HK$100,000,000 divided into 1,000,000,000 Shares of HK$0.10 par value each.

(3) **Acquisition of Haoyu Capital by our Company**

On 20 April 2015, our Company and Mr. Ren entered into a share swap agreement, pursuant to which our Company agreed to acquire the entire issued share capital of Haoyu Capital at a consideration of HK$17,524,518.44 by the allotment and issuance of 2,701,450 new Shares of HK$0.10 par value each of our Company to Mr. Ren, which was determined with reference to the net asset value of Shenglong Decoration as at 31 October 2014 and Haoyu Capital's interest therein. The acquisition was completed on 20 April 2015. After the acquisition, Haoyu Capital became a direct wholly-owned subsidiary of our Company.

(4) **Subscription of shares of HK$0.10 par value each of our Company by Bright Commerce, Pioneer Treasure, Immense Global and Well Power**

On 20 April 2015, Bright Commerce subscribed for 6,398,550 shares of HK$0.10 par value each at a consideration of HK$41,507,896.66, which was determined with reference to the net asset value of Shenglong Decoration as at 31 October 2014 and Mr. Sheng's interest therein. On the same date, each of Pioneer Treasure, Immense Global and Well Power subscribed for 300,000 new shares of HK$0.10 par value each at a consideration of HK$1,946,123.58, respectively, which was determined with reference to the net asset value of Shenglong Decoration as at 31 October 2014 and their respective interests therein.

(5) **Acquisition of interests in Shenglong Decoration from Longsheng Investment, Mr. Sheng, Ms. Wang Bingqin, Mr. Jiang, Mr. Wang and Mr. Yu by Splendecor Hong Kong**

On 8 May 2015, Splendecor Hong Kong entered into an equity transfer agreement with each of Longsheng Investment, Mr. Sheng, Ms. Wang Bingqin, Mr. Jiang, Mr. Wang and Mr. Yu, respectively, pursuant to which Splendecor Hong Kong agreed to acquire RMB10.104 million, RMB2.696 million, RMB619,500 RMB619,500, RMB619,500 and RMB413,000 in the registered capital of Shenglong Decoration from each of them at a consideration of RMB25,392,907.31, RMB6,775,463, RMB1,556,898.86, RMB1,556,898.86, RMB1,556,898.86 and RMB1,037,932.57, representing approximately 48.9298%, 13.0557%, 3.0%, 3.0%, 3.0% and 2.0% equity interest in Shenglong Decoration, respectively. The consideration was determined with reference to the net asset value of Shenglong Decoration as at 31 October 2014 minus the distributed dividends by Shenglong Decoration in November 2014, and each of their interests in Shenglong Decoration. The transfers were completed upon the registration of changes with the local administration for market supervisory of Hangzhou City, Zhejiang Province on 17 June 2015.

Upon completion of the steps above, Shenglong Decoration became a direct wholly-owned subsidiary of Splendecor Hong Kong and an indirect wholly-owned subsidiary of our Company, and was changed to a wholly foreign-owned enterprise in the PRC.

(6) **Increase of registered capital of Splendor Decoration**

On 7 December 2015, the registered capital of Splendor Decoration was increased from RMB20.76 million to RMB22.71 million by Century Frontier's further subscription of RMB1.95 million. The contribution was from Century Frontier's unpaid dividend of RMB1.95 million. After the increase of registered capital, Splendor Decoration was owned as to approximately 68.56% by Shenglong Decoration and approximately 31.44% by Century Frontier. The increase of registered capital was completed on 18 December 2015.

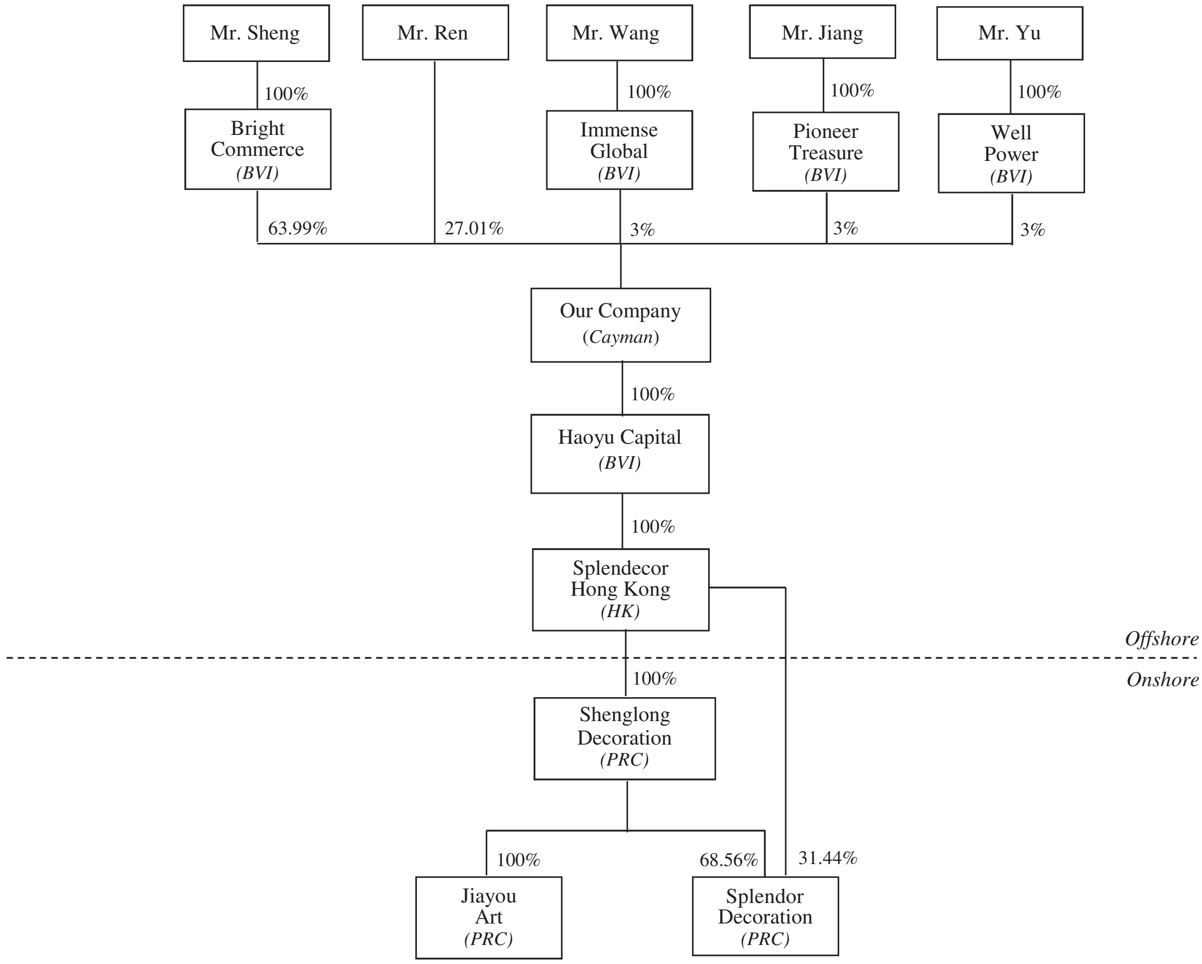
(7) **Acquisition of 31.44% interest in Splendor Decoration by Splendecor Hong Kong**

On 9 December 2015, Splendecor Hong Kong entered into an equity transfer agreement with Century Frontier, pursuant to which Splendecor Hong Kong agreed to acquire RMB7,140,000 in the registered capital of Splendor Decoration from Century Frontier at a consideration of RMB12,080,127.8, representing approximately 31.44% equity interest in Splendor Decoration. The consideration was determined with reference to the net asset value of Splendor Decoration as at 30 June 2015 and Century Frontier's interest in Splendor Decoration. The transfer was completed upon registration of changes with the relevant local administration bureau on 15 January 2016, following which Splendor Decoration was owned as to approximately 68.56% by Shenglong Decoration and approximately 31.44% by Splendecor Hong Kong.

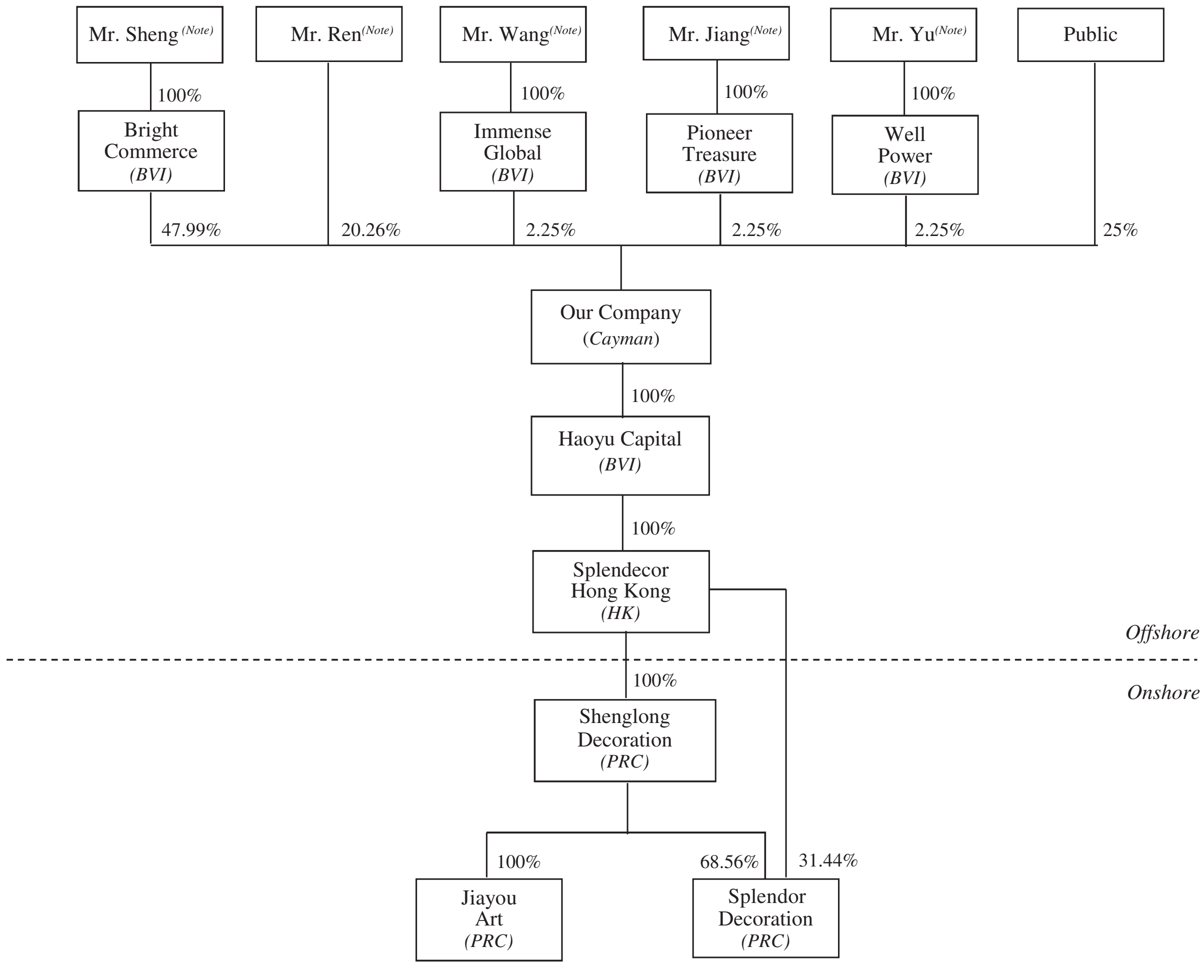
(8) **Share subdivision**

On 22 June 2017, our Company subdivided all its issued and unissued shares with a par value of HK$0.10 each into 10 shares of HK$0.01 each so that the authorised share capital of our Company has become HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

The following chart sets out our corporate and shareholding structure upon completion of the Reorganisation and immediately before the Share Offer and the Capitalisation Issue:



The following chart sets out our corporate and shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue:



Note: Due to the facts that (i) Mr. Sheng being an executive Director and Controlling Shareholder of our Company, (ii) Mr. Yu being an executive Director of our Company, (iii) Mr. Ren being a Substantial Shareholder, (iv) Mr. Jiang being a director of Shenglong Decoration, (v) Mr. Wang was a former general manager of Shenglong Decoration, hence none of our existing shareholders will be counted as public float.

PRC LEGAL COMPLIANCE

M&A Rules

On 8 August 2006, the M&A Rules were promulgated by six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, which became effective on 8 September 2006 and was amended on 22 June 2009.

Our PRC Legal Advisers have advised that the requirements of MOFCOM approval under the M&A Rules are not applicable to our Reorganisation and Listing since our Company has not made any merger and acquisition as specified under the M&A Rules and therefore, the Listing requires no approvals from the MOFCOM or CSRC as required by the M&A Rules.

SAFE Circular No.37

Pursuant to SAFE Circular 37, special purpose vehicle ("**SPV**") refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interests of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. SAFE Circular 37 further requires timely amendments to the registration for any major change in respect of the SPV, including, among other things, any major change of the SPV's PRC resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital contributed by the PRC domestic resident, share transfer or swap, and merger or division. As advised by our PRC Legal Advisers, Mr. Sheng, Mr. Yu, Mr. Jiang and Mr. Wang completed the registration for SAFE Circular 37 on 27 November 2014.

Our PRC Legal Advisers have further confirmed that all approvals, permits and licences required in connection with the Reorganisation have been obtained, and the Reorganisation has not violated any applicable PRC laws and regulations.

OVERVIEW

Established in 1993 in the PRC, we principally engage in the manufacturing and sales of decorative printing materials products which primarily comprise of:

(i) decorative paper;

(ii) melamine impregnated paper;

(iii) finish foil paper;

(iv) PVC furniture film; and

(v) PVC flooring film.

During the Track Record Period, we also manufactured small amount of laminated board and plate rollers on demand by our customers.

Our decorative paper, melamine impregnated paper, finish foil paper and PVC decorative film products can be applied on both the manufacturing of furniture and flooring. During the Track Record Period, sales of decorative paper accounted for approximately 73.0%, 77.5% and 72.9% of our revenue, whereas sales of finish foil paper and melamine impregnated paper accounted for approximately 13.5%, 10.2%, 7.9% and 10.3%, 7.9% and 9.6%, respectively. The aggregate sales of our PVC decorative film products, laminated board and plate rollers accounted for the rest of our revenue. For breakdown of the sales of our decorative printing materials products, please refer to the paragraph headed "Our Products" below in this section.

During the Track Record Period, we sold our decorative printing materials products to over 30 countries and our principal markets included Pakistan, the PRC, India and other overseas markets. We export our products to our overseas customers which accounted for approximately 58.8%, 69.0% and 65.3% of our total revenue for the three years ended 31 December 2016, respectively. For the PRC market, our sales accounted for approximately 41.2%, 31.0% and 34.7% of our total revenue, respectively, during the Track Record Period. Our customers mainly comprised of manufacturers of furniture and flooring and trading entities including trading companies. As at the Latest Practicable Date, we engaged sales agents in six of our overseas markets, such as Pakistan and Turkey, to locate new customers and liaise with existing customers. We signed contracts directly with the end customers referred by such sales agents. We usually paid our sales agents a commission based on either the sales amount or sales volume as purchased by the end customers they referred.

OUR COMPETITIVE STRENGTHS

We believe our success and our potential for further growth are attributable to our competitive strengths as set out below:

Our advanced production facilities and comprehensive production process contribute to our success

As at the Latest Practicable Date, our two production sites, namely our Shangguafan Factory and Yangdai Factory, comprise of 17 production lines and have an aggregate site area of approximately 146,576.4 sq.m.. Our production lines are highly automated and consist of high-speed printing lines. Please refer to the paragraph headed "Production Facilities" in this section for details of our production facilities. We believe that substantial capital commitments are required in order to stay competitive in the decorative printing materials products industry. For the three years ended 31 December 2016, our purchase of property, plant and equipment was approximately RMB44.1 million, RMB12.8 million and RMB15.7 million, respectively.

We have implemented a comprehensive quality control system in our production process with designated personnel responsible for quality control on raw materials, production process and products. We also deploy product quality control staff at the production lines to inspect the quality of our products at different stages of production and conduct sample checks before delivery of our products to our customers. As at the Latest Practicable Date, we had 16 quality control staff in the quality control department. During the Track Record Period, we had no return of products from our customers which had material impact to the financial condition of our Group. Please refer to the paragraph headed "Quality Control" in this section for details of our quality control system.

We have obtained the ISO 9001 certification in relation to our quality management system. Shenglong Decoration, our primary operating subsidiary, has also been awarded High and New Technology Enterprise (高新技術企業). Over the years, we have gained brand recognition and market presence in both the domestic and certain overseas markets. We have also been awarded Hangzhou City Famous Trademark (杭州市著名商標) in relation to certain of our products in 2013. These certifications and awards are important evidence of our implementation of strict quality control system, which in turn enhances our customers' confidence in our products and helps promote our brand name domestically and overseas.

Our product development capabilities enable us to improve and enhance our products

We have continued to improve our existing products and develop new products through our research and development capabilities, which enable us to continuously introduce new designs and improve our production process. As at the Latest Practicable Date, we had a team of 15 research and development staff, which comprised of experienced personnel in the decorative printing materials products industry with expertise on product design and development, as well as technological development.

Through our research and development centre located at our Shangguafan Factory, we design, develop and improve our decorative printing materials products to cater for the preferences of our customers. Our research and development centre enables us to develop and introduce new decorative materials and printing technology. During the Track Record Period, we incurred research and development costs of approximately RMB9.0 million, RMB8.7 million and RMB9.5 million, which accounted for approximately 35.7%, 30.4% and 27.3% of our administration expenses, respectively. Our product and technological development capabilities are evident in the number of patents we have obtained including three innovations, 16 utility models and 32 designs as at the Latest Practicable Date. We have the ability to design and produce plate rollers by engraving patterns which enable us to provide a wide variety of designs for our customers' selections. For further details of our intellectual properties rights, please refer to the section headed "Appendix V — Statutory and General Information". Thus, we believe our research and development capabilities are one of the key contributors to our success. For further details of our research and development, please refer to the paragraph headed "Research and Development" in this section.

We have an experienced and dedicated management team with extensive industry experience

We have an experienced management team with extensive experience of the decorative printing materials products industry. Our management team is led by the chairman, chief executive officer and executive Director of our Company, Mr. Sheng, who has more than 20 years of experience in the industry and has been responsible for the overall management strategic development and major decision-making of our Group.

Our other executive Directors, Mr. Yu and Mr. Fang, also have more than seven and four years of experience and knowledge in the decorative printing materials products industry respectively. We believe that our executive Directors and our senior management team are instrumental to our success. Our growth and development have been largely attributable to the extensive experience of our executive Directors and senior management team. We believe that our experienced and stable senior management team has been critical in ensuring the development and operating strategies.

OUR BUSINESS STRATEGIES

Our goal is to become one of the leading decorative printing materials products manufacturers in the PRC. We intend to achieve this objective by implementing the following strategies:

Enhance our production facilities

Although our production facilities were not fully utilised during the Track Record Period, we experience increasing demand from our customers and in order to increase our production efficiency, we plan to enhance our existing production facilities for decorative printing materials products production through measures such as upgrading and increasing our existing production lines.

Details of our plan to upgrade and increase our production lines are set out below:

Melamine impregnated paper production

Our sales revenue generated from the PRC market decreased from approximately 41.2% to 31.0% for the two year ended 31 December 2015 but rebounded to approximately 34.7% for the year ended 31 December 2016. We strive to further develop the PRC market. During 2016, we had established cooperation with a couple of sizeable PRC-based furniture manufacturers (whose headquarters are based in Zhejiang Province and Fujian Province, respectively) for production of melamine impregnated paper. During the Track Record Period, we had two production lines for production of melamine impregnated paper. With addition of one additional melamine impregnated paper production line in 2017, we currently have three production lines for production of melamine impregnated paper in total.

For July and August 2016, the average production volume of these two production lines amounted to approximately 200,000 to 300,000 pieces of melamine impregnated paper. Subject to the actual sales order to be placed depending on market condition, we have signed the cooperation agreement with New Customer A in August 2016, which started to place sales orders with us starting from November 2016. Having considered that (i) we have sold a total of approximately 2,528,000 pieces of melamine impregnated paper to our customers for the four months ended 30 April 2017, representing a period-to-period growth of approximately 500.6% as compared to the four months ended 30 April 2016; (ii) we have been following up with New Customer A on a regular basis in order to ensure they are satisfied with the quality of our product and understand their ongoing production needs; and (iii) the sales to New Customer A has reached 671,000 pieces in May 2017, our Directors are of the view that the sales volume to New Customer A will be gradually increasing. We have also signed the cooperation agreement with New Customer B in January 2017, with the minimum sales order of 50,000 pieces per month.

In order to meet the estimated increase in our sales of melamine impregnated paper, we have established one production line in January 2017 and plan to establish another production line in the second half of 2017 with an aggregate production capacity of approximately 700,000 pieces of melamine impregnated paper on a monthly basis should they operate 24 hours daily. We plan to put the two new production lines on a 24-hour basis operation because such production lines are new and the need for maintenance and repair will be relatively remote compared to the existing production lines. Subject to any potential sales orders to be placed by the other customer which has also signed the cooperation agreement with us, we will continue to assess the need to adjust our production capacity and further enhancement measures of our existing production facilities for production of melamine impregnated paper. Our Directors intend to apply the use of net proceeds from the Share Offer for the purchase of two production lines established or to be established in 2017, which is approximately RMB3.0 million. With the two production lines come into operation, our Directors believe that the estimated capacity of melamine impregnated paper will be increased from approximately 4,356,000 pieces by the end of December 2016 to approximately 13,070,000 pieces in 2018.

Decorative paper production

As at the Latest Practicable Date, we had eight production lines for our decorative paper production. As mentioned above, due to the rising demand of our melamine impregnated paper and the fact that production of melamine impregnated paper is based on the supply of decorative paper (please refer to the paragraph headed “Production Process and Production Equipment” for details of the production process of melamine impregnated paper), our Directors consider there is a corresponding need to enhance the production capacity for decorative paper. Since half of the decorative paper production lines came into operation for over ten years, we plan to replace one existing production line and add three additional production lines, making it a total of 11 production lines. Our Directors intend to apply the use of net proceeds from the Share Offer for building four production lines, which is approximately RMB16.0 million. With the four production lines come into operation in the second half of 2017, our Directors believe that the estimated capacity of decorative paper will be increased from approximately 14,200 tonnes by the end of December 2016 to approximately 16,200 tonnes in 2018.

Lamination machine for PVC furniture film production

Lamination is one of the key production processes for PVC furniture film. Our Directors consider it is necessary to purchase another lamination equipment to enhance the efficiency of this process for the following reasons:

(i) PVC furniture film was a new product launched in 2015. The total sales of our PVC furniture film in 2015 was approximately RMB0.6 million and increased to approximately RMB4.2 million in 2016. We also recorded a recent increase in sales volume of 131.2% for the period ended 30 April 2017 as compared to the corresponding period in 2016. Accordingly, the utilisation rate of our lamination machine improved from below 10% in 2015 to approximately 30.4% in 2016 and to approximately 45.9% for the four months ended 30 April 2017, respectively. Given the current growth in sales volume and utilisation rate of our lamination machine, our Directors considered the existing lamination equipment might not be able to cope with the future production needs;

(ii) we currently only have one lamination machine in service. As PVC furniture film is one of our key products, our operation and production will be seriously affected in the event of unexpected broken down of the existing lamination machine. We may need to pay compensation to our customer should we be unable to meet production deadline and deliver finished products to our customers;

(iii) our production line for production of PVC furniture film products can produce at approximately 85 metres per minute, whereas our lamination machine can only laminate at approximately 14 metres per minute. Due to such discrepancy in processing time between the printing and laminating processes, the production efficiency of our PVC furniture film product was affected. The prolonged time for the process of lamination would inevitably undermine our ability to accept bulk volume of order in short delivery time; and

(iv) with addition of one extra lamination machine, our competitiveness in the PVC furniture film market can be enhanced and this would enable us to take on more purchase orders for production of PVC furniture film. According to the Industry Consultant, the demand of PVC decorative film products has been increasing since 2010 in the PRC and it is expected that the rising demand will continue principally due to the rapid development of construction decoration industry in the PRC.

Our Directors intend to apply the use of net proceeds from the Share Offer for the purchase of this additional equipment, which is approximately RMB5.0 million. With the extra lamination machine come into operation in July 2018, our Directors believe that the estimated capacity of PVC furniture film will be increased from approximately 1,895,000 metres by the end of December 2016 to approximately 2,890,000 metres in 2018.

New warehouse

Although the land usage of certain land in our Yangdai Factory was allocated for warehouse purpose, we did not build with a warehouse for storage of raw materials, semi-manufactured products and finished products when it came into operation in 2013. Due to the then scale of our production, we only maintained certain raw materials which did not require any specific storage requirements at our Yangdai Factory. With our further expansion in the last few years and our anticipation for continuing growth, our Directors see the necessity to build a separate warehouse in Yangdai Factory for storage of raw materials, semi-manufactured products and finished products that are ready for delivery to our customers. Our Directors intend to apply the use of net proceeds from the Share Offer for building of a new warehouse, which is approximately RMB7.0 million.

Adding another solvent recovery equipment

Solvent recovery equipment is for collecting toluene, xylene and other volatile organic gas produced during the production of finish foil paper and PVC decorative film products, which will undergo a condensation and separation process, following which it is recycled as a liquid mixed solvent and can be used as raw material for our production. Currently, we only have one solvent recovery equipment for both of our productions of finish foil paper and PVC decorative film products and the utilisation rate was approximately 54.0% in 2016. Due to technical limitation of the current solvent recovery equipment, the recycled liquid mixed solvent can only be used as raw material for our finish foil paper production because of higher moisture content. Aligning with the reasons for purchasing another lamination machine mentioned above and in order to enhance the efficiency in the solvent recovery process, our Directors intend to apply the use of net proceeds from the Share Offer for the purchase of an additional solvent recovery equipment, which is approximately RMB2.5 million.

Based on the expected changes in production capacity, the estimated production capacity of (i) decorative paper is expected to increase by approximately 3.5% and 10.2% year-on-year basis for the two years ending 31 December 2018, respectively; (ii) melamine impregnated paper is expected to increase by approximately 152.5% and 18.8% year-on-year basis for the two years ending 31 December 2018, respectively; and (iii) PVC furniture film is expected to increase by approximately nil and 52.5% year-on-year basis for the two years ending 31 December 2018, respectively.

Increased demand from domestic market

It is estimated that our production volume of the decorative paper will continue to increase from approximately 12,400 tonnes in 2016 to approximately 16,300 tonnes in 2018, representing an compound annual growth rate of approximately 14.7%. Such growth was taken into account (i) the expected industry compound annual growth rate of 15.9% from 2016 to 2018 as suggested by the Industry Consultant. According to the Industry Report, the sales amount of global decorative paper market is expected to increase from RMB39.3 billion in 2016 to RMB52.8 billion in 2017. Please refer to the section headed "Industry Overview — Overview of the decorative paper market" in this prospectus for details; and (ii) the expected production volume contributed by the demand from New Customer A. Sales of our melamine impregnated papers directly to New Customer A or through its sub-contractors was approximately 602,000 pieces in November and December 2016 in total. These melamine impregnated papers were processed and produced from our decorative papers. Therefore during 2016, we produced approximately 167 tonnes of decorative papers to meet the demand from New Customer A. Our Directors expected that the production volume of the decorative papers demanded from New Customer A will be approximately 1,834 tonnes during 2018, or approximately 11.2% of the total expected production volume of the decorative papers for 2018. Please refer to below for further details of New Customer A.

For melamine impregnated paper, it is estimated that the production volume will continue to increase from approximately 3.1 million pieces in 2016 to approximately 11.2 million pieces in 2018, representing a compound annual growth rate of approximately 90.1%. Such growth was driven by:

(i) the expected annual industry growth of 14.0% from 2016 to 2018 as suggested by the Industry Consultant. According to the Industry Report, from 2016 to 2018, the sales amount of global melamine impregnated paper market is expected to increase from RMB72.8 billion in 2016 to RMB94.6 billion in 2018. Please refer to the section headed "Industry Overview — Overview of the decorative paper market" in this prospectus for details;

(ii) the expected production volume contributed by the demand of our existing customers. For the period ended 31 May 2017, the total sales volume of our existing customers (without taking into account the contributions from New Customer A and New Customer B) increased by 73.3% from approximately 656,000 pieces to approximately 1,137,000 pieces on a period to period basis. Due to the positive sales performance contributed by our existing customers as mentioned above, our Directors believe that the business relationships with our existing customers will be further enhanced in 2017 and 2018;

(iii) the expected production volume contributed by the demand of New Customer A. We entered into a cooperation agreement with New Customer A in August 2016. Sales to New Customer A was firstly made in November 2016 of approximately 256,000 pieces of melamine impregnated papers and its sales volume increased to approximately 671,000 pieces in May 2017. During the period between 1 January 2017 to 31 May 2017, approximately 2,086,000 pieces of melamine impregnated papers were sold to New Customer A. The confirmed sales order received from New Customer A was approximately 172,000 pieces of melamine impregnated papers as at 31 May 2017. Our Directors expect that the demand for production volume of the melamine impregnated papers from New Customer A will be approximately 6.6 million pieces in 2018, or approximately 58.9% of the total expected production volume of the melamine impregnated papers for 2018; and

(iv) the expected production volume contributed by the demand of New Customer B. During the period between 1 January 2017 to 31 May 2017, approximately 420,000 pieces of melamine impregnated papers were sold to New Customer B. For New Customer B, we also experienced an increase in sales volume from approximately 14,030 pieces in January 2017 to 147,110 pieces in May 2017. The confirmed sales order received from New Customer B was approximately 14,000 pieces of melamine impregnated papers as at 31 May 2017. Our Directors expect that the production volume of the melamine impregnated papers demanded from New Customer B will be approximately 754,000 pieces in 2018, or approximately 6.7% of the total expected production volume of the melamine impregnated papers for 2018.

Same as the approach of our existing customers, New Customer A and New Customer B started up the business relationship with us by taking a smaller sales order in order to test our production efficiency and our product quality. Our Directors considered that we have already established a relationship with New Customer A and New Customer B which led to an increasing sales orders from them during the past few months. Furthermore, our Directors confirmed that customers would stay with the same supplier to ensure stability in supply and product quality and that explained the high estimation of annual growth rate going forward.

The cooperation agreement with New Customer A has been renewed to extend the terms to 11 August 2018. The cooperation agreement with New Customer B will expire in December 2017. Having considered that (i) the selection and adoption process of New Customer B lasted for months before accepting us as its vendor; and (ii) aforementioned increasing orders received from New Customer B, our Directors take the view that New Customer B will renew the cooperation agreement with us upon its expiry. As the existing cooperation agreement with New Customer B has only come into effective for a few months since its effective in January 2017, our Directors considered that it is too early to start negotiating the renewal of such agreement with New Customer B. Our Directors considered that we will start the negotiation process with New Customer B from the beginning of the fourth quarter in 2017.

For PVC furniture film, it is estimated that the production volume will continue to increase from approximately 576,000 metres in 2016 to approximately 2.32 million metres in 2018, representing an annual growth rate of approximately 100.9%. The total sales of our PVC furniture film in 2015 was approximately RMB0.6 million and increased to approximately RMB4.2 million in 2016. During the Track Record Period, the sales volume of our PVC furniture film was approximately nil, 79,000 metres and 491,000 metres, respectively. PVC furniture film was a new product launched in 2015 and it is our key promotional product. As a result of the relatively lower sales order volume in 2016, our Directors consider that it is reasonable to estimate a relatively high annual growth rate up to 2018. It is a common approach of our customers that they would usually make a smaller sales order to start with in order to test whether our production efficiency and our product quality could meet their requirements. With the progress of two years from 2015 till now, we consider that we have already established a relationship with our PVC furniture film customers which led to an increasing the sales orders from them during the Track Record Period and that explained the high estimation of annual growth rate going forward. In addition, according to the Industry Report, the sales amount of the PRC PVC furniture film and PVC flooring film market is expected to increase from RMB208 million in 2016 to RMB253 million in 2018, or at an annual growth rate of 10.3%.

New Customer A, one of our new customers, was established in 1999 and is principally engaged in manufacturing and sales of home building materials such as wooden door, flooring and decorative paper board. New Customer A commenced to place bulk order of our melamine impregnated papers directly or through its PRC sub-contractors in 2016. Our melamine impregnated papers would deliver to and the sales were settled by either New Customer A or these sub-contractors.

The following sets out the principal terms in the cooperation agreement with New Customer A:

Product:	melamine impregnated paper
Term:	one year starting from 12 August 2016, the terms have been extended for further 1 year till 11 August 2018
Minimum purchase per order:	2,000 pieces
Special terms:	standard purchase per piece is adjustable should price of raw materials rise exceptionally. We need to serve a prior notice at least two months to the customer of any purchase adjustment and such adjustment requires mutual agreement
Termination:	terminate upon expiry of the trademark licensing agreement (which is signed incidental to the cooperation agreement with New Customer A for licensing us to print its trademark on our products. The expiry date of this trademark licensing agreement is the same as the cooperation agreement we signed with New Customer A)

Other than the cooperation agreement, a trademark licensing agreement was entered with New Customer A; pursuant to which, it grants us a right to use its registered trademarks in the production of our products sold directly to it or through its sub-contractors in return of a licensing fee. For the year ended 31 December 2016, a total licensing fee of approximately RMB439,000 was paid or payable to New Customer A at a rate of RMB0.75 per piece of melamine impregnated paper. In addition, we prepaid a quality assurance deposit of RMB1.0 million to New Customer A, which will be returned to us after the expiry of the trademark licensing agreement.

New Customer B, our another new customer, was established in 2006 and is principally engaged in manufacturing and processing of wooden panels and metal household products and components. New Customer B placed orders for our processing service of melamine impregnated papers directly. Our melamine impregnated papers would deliver to and the processing service fees were settled by New Customer B.

The following sets out the principal terms in the cooperation agreement with New Customer B:

Product:	melamine impregnated paper
Term:	3 January 2017 - 31 December 2017
Minimum purchase per month:	50,000 pieces
Termination:	terminate upon expiry of the cooperation agreement

Continuing demand from overseas market

Regarding our overseas sales, our sales in Pakistan increased from approximately RMB70.6 million for the year ended 31 December 2014 to RMB84.9 million for the year ended 31 December 2015, representing approximately 29.6% and 39.2% of our total revenue, respectively. During the year ended 31 December 2016, our sales to Pakistan further increased from approximately RMB84.9 million to RMB89.3 million, representing approximately 39.2% and 35.9% of our total revenue respectively. We have also engaged a sales agent in Brazil in 2016 to explore this market. With the addition of this new sales agent, we had a total of six sales agent across various markets as at the Latest Practicable Date. For details of our sales and marketing, please refer to the paragraph headed "Sales and Marketing" in this section.

Our Directors take the view that the above expansion plan is appropriate taking into account of our expected growth. Despite we do arrange overtime shift in peak season, we consider it is not feasible to extend the working hours of existing production facilities to enhance our production capacity in the long run. As mentioned in the section headed "Industry Overview" in this prospectus, the average salary of a PRC worker has been increasing on a yearly basis. Not to mention the fact that it is difficult to recruit night shift workers, the cost for paying night shift workers and overtime could be higher. We consider it is a more cost effective way to purchase machineries in order to enhance the production capacity rather than spending on labour cost which is recurring every month. In addition, we have quality control staff to inspect both semi-finished product and finished product at each key production process. During their quality inspection process, natural daylight is considered a better way to spot any colour deficiency as compared to nighttime by lighting. Many of our existing machineries were purchased over eight years. For details of the age and residual life of our machineries, please refer the paragraph headed "Production Facilities" in this section. A long hour operation will accelerate the aging of these machineries and will result in larger cost of maintenance, and may even cause early malfunction or sudden and unexpected shut down. Our operation will be severely affected should any of these undesirable circumstances occur. We may also need to engage subcontractor under such circumstances to carry out the production in order to meet production deadlines and such sub-contracting cost will be much higher than our cost of sales under normal operation and quality of our product cannot be guaranteed as well.

Please refer to the section headed "Business Objectives and Future Plans" for details of our intended application of use of proceeds.

Increase and develop our market share in the PRC and overseas markets

During the Track Record Period, more than half of our revenue was generated from sales to our overseas customers and Pakistan was our largest market. According to the Industry Report, the PRC has become the world's industrial base and export hub of decorative printing materials products and PRC took up more than 50.0% of the market share in terms of sales volume of the decorative paper industry in the world in the years of 2014, 2015 and 2016.

We believe our knowledge and experience in the overseas markets will enable us to capture further export market share of the decorative printing materials products industry of the PRC. In order to diversify our market presence internationally, we plan to continue to expand our sales coverage to more countries in the future. During the Track Record Period, we actively participated in trade exhibitions at locations including Guangzhou and Shanghai of the PRC, Germany, Brazil, Turkey and the U.S. to promote our brand and products. As discussed above, we believe one of our competitive advantages is our knowledge and experience of the various requirements of decorative printing materials products in the overseas markets. To this end, we will continue to develop our market share in our existing markets and endeavour to extend our market presence to other new markets such as European and North American markets.

In order to increase our market share in the Pakistan and other countries, we will continue to focus on direct communication with our overseas customers and provide them with after-sales services. We believe our existing customers' satisfaction with us helps promote our brand as they spread our goodwill. In addition, we will continue to place resources in participating in overseas exhibitions in the future as our Directors consider this as the most effective way to promote our brand among the overseas market and reach out to potential new customers.

In this connection, we intend to utilise internal resources to (i) participate in more furniture and flooring exhibitions both in the PRC and overseas in order to promote our market awareness; (ii) recruit additional two to four sales personnel focusing on preparing marketing plans with specific targets on international and domestic well-known customers in order to enhance our customers' base; (iii) recruit two to three after-sales services personnel to enhance our after-sales services; and (iv) recruit two to three technical support personnel to strengthen our technical support services to our customers.

Having considered that (i) our long business presence in Pakistan and established customer base in Pakistan market, where we have years of business relationship with our top five customers in Pakistan; (ii) the future prospects induced by the support of PRC national policies, such as the encouragement of enterprise to go global and "The Belt and Road Initiative", which facilitates PRC enterprises to continue their penetration into international markets and capturing overseas demand in countries along the regions of "The Belt and Road Initiative", e.g. Pakistan and India; and (iii) our established customer base in other countries, for which our export destinations reached over 30 countries in Asia, North America, South America, Europe, Oceania and Africa during the Track Record Period, we would further increase our revenue contribution from Pakistan and other overseas market.

Strengthen our product design and development capabilities and optimise our product offerings

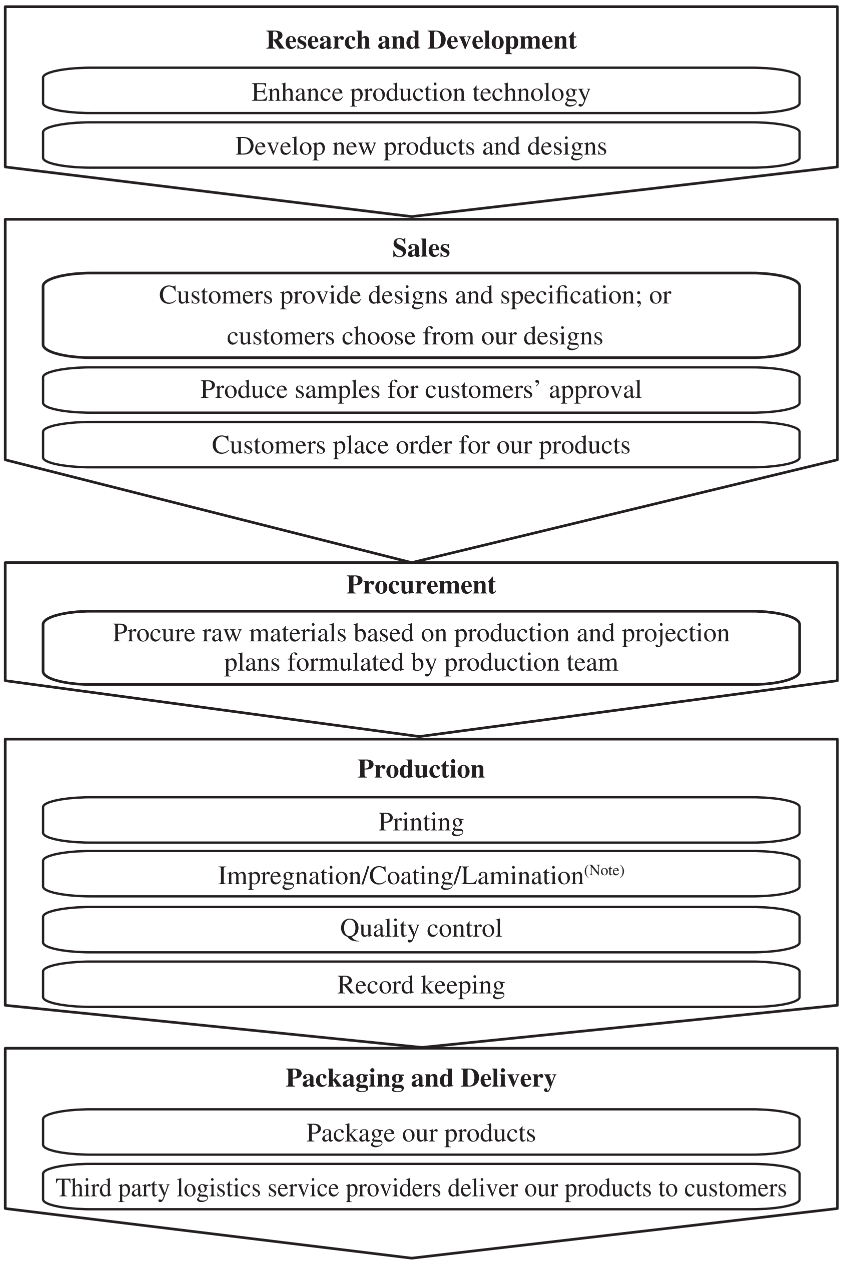
We believe that product innovation and timely response to market trends are crucial to our success. We will continue to strengthen our design and development capabilities with the following potential measures:

- develop new research and development projects;
- recruiting more talented personnel or experts from the industry to enhance our expertise; and
- subsidising our research and development staff to attend external training to gain extensive knowledge about the latest technology in relation to the decorative printing materials products industry.

We intend to utilise our internal resources to enhance our research and development capabilities.

OUR BUSINESS MODEL

We principally engage in the research and development, manufacturing and sales of decorative printing materials products, which are sold to both overseas and domestic markets. Our business model can be summarised as follows:



Note: These individual procedures would depend on different production processes of our products. For details, please see the paragraph headed "Production Process and Production Equipment" in this section.

Research and Development

Our research and development is twofold, being (1) product design and development; and (2) production process and technologies development. As at the Latest Practicable Date, we had a dedicated team of 15 staff in our research and development department, which consisted of experienced personnel in the decorative printing materials products industry. Our staff in research and development department have been in the industry for an average of approximately nine years and 12 of them have obtained tertiary education or above. As at the Latest Practicable Date, we had more than 2,000 designs for our customers' selection and registered patents including three innovations, 16 utility models and 32 designs in the PRC. Please refer to the paragraph headed "Intellectual Property of our Group" under the section headed "Appendix V — Statutory and General Information" to this prospectus for details of our intellectual property rights. On the other hand, we seek to continuously improve our production technologies and process, including design of the plate rollers, board, ink and printing. Our research and development centre located at Shangguafan Factory features a showroom displaying a diversified range of products and designs and enabling our potential customers to learn about our products.

Sales

As at the Latest Practicable Date, we had 30 employees in our sales team. Our sales team is responsible for communicating with our customers and sales agents concerning their specifications or requests and taking orders from them. Some of our customers provide designs and specifications to our sales personnel, whereas some of them choose from our existing designs. Our sales personnel will then arrange for the production of samples for our customers' approval, sometimes followed by modifications and adjustments of the samples. After our customers are satisfied with the samples provided to them, they will place orders for our products.

Procurement

Our procurement team is responsible for the purchase of raw materials and maintaining an adequate inventory to satisfy our production needs. Our procurement team normally procures raw materials based on the monthly production plans and projections formulated by our production team. We will also assess the market environment of the raw materials we use when placing orders for such raw materials. For details of our procurement management and raw materials, please refer to the paragraph headed "Procurement and Suppliers" in this section.

Production

After sales orders are placed by our customers, we manufacture our products at our Shangguafan Factory and/or Yangdai Factory. Our production process is automated to achieve production efficiency. As at the Latest Practicable Date, we had eight production lines at the Shangguafan Factory and nine production lines at Yangdai Factory, respectively. Our production lines include high speed printing lines for decorative paper, finish foil paper and PVC decorative film products, as well as melamine impregnating lines for melamine impregnated paper and a lamination line for PVC furniture film. Our production process involves printing, quality control and record keeping. For details of our production process, please refer to the paragraph under "Production Process and Production Equipment" in this section.

Packing and Delivery

Our production team is responsible for packaging our products according to our customers' specifications. We arrange with third party logistics service providers to deliver our products to our domestic customers and in the case of overseas customers, usually to the port of Shanghai.

OUR PRODUCTS

Our decorative printing materials products mainly comprise of:

(i) decorative paper;

(ii) melamine impregnated paper;

(iii) finish foil paper;

(iv) PVC furniture film; and

(v) PVC flooring film.

During the Track Record Period, we also manufactured small amount of laminated board and plate rollers on demand by our customers.

The table below sets forth the breakdown of the sales of our products during the Track Record Period:

	For the year ended 31 December					
	2014		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Decorative paper	174,240	73.0	167,752	77.5	181,237	72.9
Melamine impregnated paper	24,686	10.3	17,212	7.9	23,898	9.6
Finish foil paper	32,253	13.5	22,217	10.2	19,747	7.9
PVC furniture film	—	—	632	0.3	4,187	1.7
PVC flooring film	7,512	3.1	8,614	4.0	18,918	7.6
Others (Note)	172	0.1	171	0.1	786	0.3
Total	238,863	100.0	216,598	100.0	248,773	100.0

Note: Others mainly include laminated board and plate rollers.

Different designs, and certain surface visual effect and special printing treatment can typically be applied to all five types of decorative printing materials products we produce subject to our customers' specifications.

Decorative Paper

Decorative paper refers to base paper after printing and is widely applied on both the manufacturing of furniture and flooring. Decorative paper is required to be smooth on the surface with good absorbency and adaptability. Uniform colour is demanded for base colour and brightness for colour requirements. Since decorative paper is printed using water-based ink, one of its advantages is environmentally friendly, non-toxic and odour-free. We have a variety of styles and designs in producing decorative paper, especially rare wood. We display different wood patterns on the surface of decorative paper by utilising design and plate-making technology.

Below is an example of our decorative paper:

Finish Foil Paper

Finish foil paper refers to thin printing paper coated with polyurethane ("**PU**") to enhance its features as thin paper. PU coating adopts two components and produces irreversible surface treatment membrane with good physical properties after a series of chemical reactions. The process of finish foil paper can be divided into plane printing and three-dimensional printing. In particular, plane printing can deliver high glossiness, high abrasive resistance, etc. to meet customers' requirements, while three-dimensional printing has suede, dual-pitted, general 3D (visual/ tactile), registered embossing 3D and other categories to imitate the sense of touching real wood veneer, adding appearance and tactile impression to products to pass on an experience that is similar to solid wood. With simple subsequent processes, it can be pasted directly to base material and is very suitable for making furniture.

Below is an example of our finish foil paper:

Melamine Impregnated Paper

Melamine impregnated paper is made from plain paper or printed decorative paper after impregnating amino resin and drying to a certain extent, after that impregnated paper with certain resin content and volatile content is applied onto the wood base substrate through hot pressing. Melamine impregnated paper is at present widely applied on plate furniture. In other words, the plate is manufactured by lamination under high temperature and high pressure. Melamine impregnated paper can (1) beautify the appearance of materials to enhance the use value; (2) improve physical properties to expand the application; (3) enhance the value of wood-based plate; (4) simplify the production process of wood-based plate (avoid paint spraying and brushing).

Below is an example of our melamine impregnated paper:

PVC Decorative Film Products

Transparent film or base film after printing can produce effects of different colours, various designs and patterns, endowing floor with elegance and high quality on the surface of furnitures such as office desk, book shelf and cabinet. The main component of PVC is polyvinyl chloride and its heat resistance, toughness and ductility can be determined by various recipe ingredients. According to the Industry Report, PVC is the most suitable material to produce three-dimensional surface film by applying vacuum forming technology and is widely used in a variety of plate surface. PVC also contains the features of water proof, fire-resistant, anti-static, and shaping easily. PVC is non-toxic and odour-free. PVC film can be used as decorative film to process abrasion resistant coating, therefore it can be used on a large number of medium density board, particle board, fiber board or plywood or flooring substrate to reduce the use of timber.

Below are examples of our PVC decorative film products:

PRODUCTION FACILITIES

As at the Latest Practicable Date, we have two production sites, namely the Shangguafan Factory and the Yangdai Factory, both located in Lin'an City, Zhejiang Province, the PRC. The 17 operating production lines in our two factories are automatic. The lifespan of our equipment in the production lines is approximately ten years on average. However, due to regular check-up and maintenance in place, the actual duration of use of our equipment may last longer.

Shangguafan Factory

As at the Latest Practicable Date, our Shangguafan Factory located at Shangguafan District, Lin'an City, Zhejiang Province, the PRC, occupied a gross floor area of approximately 20,745 sq.m.. Our Shangguafan Factory first commenced operation in 1996. As at the Latest Practicable Date, our Shangguafan Factory had eight production lines, all of which are high speed printing lines for decorative paper.

Yangdai Factory

As at the Latest Practicable Date, our Yangdai Factory located at Yangdai District, Lin'an City, Zhejiang Province, the PRC, occupied a gross floor area of approximately 16,088 sq.m.. Our Yangdai Factory first commenced operation in early 2014. As at the Latest Practicable Date, our Yangdai Factory had nine production lines, of which two are printing lines for finish foil paper, three are printing lines for PVC decorative film products, three are melamine impregnating lines and one is for lamination as part of the production processes for PVC furniture film. We also have equipment in the Yangdai Factory for electroplating and pattern craving in relation to our plate rollers.

Details of our production lines at Shangguafan Factory:

Production line	Products	Function	Average age (years)	Average residual life (approximately) (Note) (years)
1-8	Decorative paper	Printing	8	2

Details of our production lines at Yangdai Factory:

Production line	Products	Function	Age (years)	Residual life (approximately) (Note) (years)
1	Finish foil paper	Printing and coating	3	7
2	Finish foil paper	Printing and coating	9	1
3	PVC decorative film products	Printing	3	7
4	PVC decorative film products	Printing	5	5
5	PVC decorative film products	Printing	2	8
6	Melamine impregnated paper	Impregnating	3	7
7	Melamine impregnated paper	Impregnating	3	7
8	Melamine impregnated paper	Impregnating	0	10
9	PVC furniture film	Laminating	2	8

Note: As determined by management's estimates, the estimated useful life of our production lines is expected to be 10 years which is consistent and reflected in our accounting policy in relation to depreciation.

The following table sets forth the estimated production capacity and utilisation rate of our main products during the Track Record Period:

	Year ended 31 December 2014			Year ended 31 December 2015			Year ended 31 December 2016		
	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Estimated capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*
	'000	*'000*	*%*	*'000*	*'000*	*%*	*'000*	*'000*	*%*
Decorative paper/tonne	15.1	11.5	76.1	15.1	11.3	74.8	14.2	12.4	87.3
Finish foil paper/metre	33,368.4	28,030.0	84.0	26,395.2	19,055.7	72.2	26,395.2	15,896.7	60.2
Melamine impregnated paper/piece	4,356.7	2,976.8	68.3	4,356.7	2,002.3	46.0	4,356.7	3,055.5	70.1
PVC furniture film/metre *(Note 3)*	N/A	N/A	N/A	1,895.0	90.2	4.8	1,895.0	575.8	30.4
PVC flooring film/metre	7,542.9	2,171.5	28.8	11,857.5	2,723.7	23.0	12,943.8	5,440.0	42.0

Notes:

1. For illustrative purposes only, the estimated capacity of our production facilities is measured in terms of the estimated quantity of products produced per hour multiplied by estimated working hours (i.e. 12 or 24 hours per day for decorative paper, 12 hours per day for finish foil paper, melamine impregnated paper and PVC flooring film and 8 hours per day for PVC furniture film) (after deducting the estimated set up time (comprising mainly the time required for change of plate rollers and colour tone adjustments) in the optimal conditions and excluding the time spent on pre-print and post-print processes) of each of the production line per day (assuming no overtime works) and 365 days per year (taking into account the statutory and public holidays in the PRC and our normal maintenance schedule), during the relevant

period. As the number of print orders increases, it will involve more frequent change of plate rollers and colour tone adjustments from one production run to another and hence, will result in longer actual total set-up time for the relevant period. Thus, the above computation only illustrates the estimated capacity of our production lines operating in the optimal conditions.

2. The utilisation rate for each of the three years ended 31 December 2016 is calculated by dividing the actual production of a year by the estimated capacity for that year.

3. PVC furniture film was newly produced and launched to the market in April 2015.

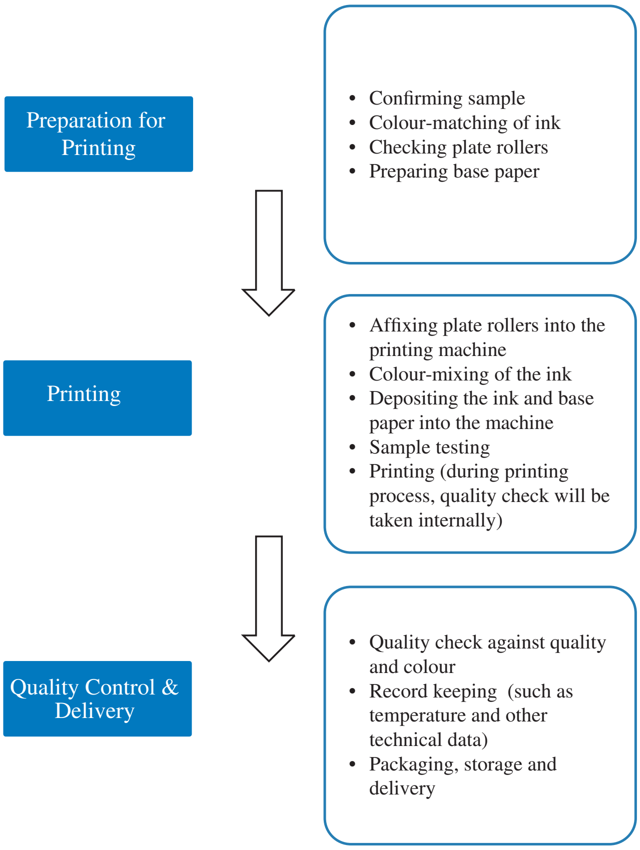
During the Track Record Period, the production volume of our self-produced decorative papers for internal use was approximately 700.5 tonne, 494.5 tonne and 754.7 tonne, respectively. As for external sales, it was approximately 10,754.2 tonne, 10,820.0 tonne and 11,650.5 tonne during the three years ended 31 December 2016, respectively. The decrease in production capacity of decorative papers in 2016 was mainly due to the temporary suspension of the production of the two decorative paper printing machines since August 2016. The temporary suspension was due to cessation of production of the two decorative printing machines in the warehouse in Shangguafan Factory due to the non-compliance issue that it did not have project planning and constructive permit. For details, please refer to the paragraph headed "Non-Compliance Incidents" below in this section. The decrease in production capacity of finish foil papers in 2015 was mainly to the cessation of production of the old production line for finish foil papers in October 2014, which was in operation together with the new production line for finish foil for few months when it came into operation in March 2014.

PRODUCTION PROCESS AND PRODUCTION EQUIPMENT

The production processes of our products typically take place in our own production facilities. The average production lead time from our customers' confirmed purchase order to delivery of the product is three days and two weeks for our domestic sale and overseas sale, respectively. Our production process is automatic and we use high speed equipment and machinery. We have also been granted ISO9001 certification in respect of the quality control management in our production process.

Key production process for decorative paper, melamine impregnated paper, finish foil paper, PVC flooring film and PVC furniture film

The following flowchart shows the key production process of our decorative paper:



Preparation for printing

Upon confirmation of sample by our customer, colour-matching will be carried out in accordance with the samples and specifications of our customers as stated in their sales orders. We would also check the appropriate plate rollers to be used for the particular type of products and arrange for the printing paper to be sent to the appropriate production line from our warehouse.

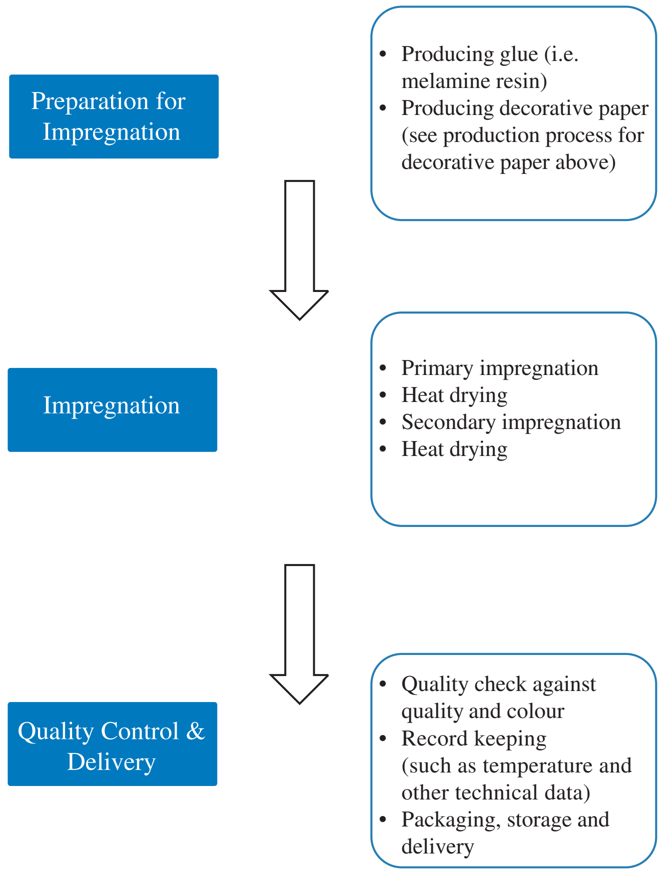
Printing

The proper plate rollers will be checked and affixed into the printing machine. To ensure strict adherence to the colours as specified by our customers, our technicians mix and adjust the colours of the ink. Having deposited the ink and base paper into the printing machine, printing commences through high speed printing lines, following which our products are produced. Before start of the printing, our technicians will arrange certain samples to ensure the quality is satisfactory. During printing, our quality control staff will check the quality of the printing internally.

Quality control and delivery

We monitor our manufacturing process closely to verify conformity with specific quality control requirements. Our quality control employees will also inspect the consistency of the colour and quality of our products. Further details are set out in the paragraph headed "Quality Control" of this section. The finished products that pass the quality control inspection are packed, stored and then delivered to our customers.

The following flowchart shows the key production process of our melamine impregnated paper:



Preparation for impregnation

Subject to requirement of our customers, we carry out impregnating process on our plain papers and decorative paper which, after the process, become our melamine impregnated paper product. The raw materials consist of glue (i.e. melamine resin) and decorative paper (semi-finished product) or plain paper and deposited into the impregnation production line.

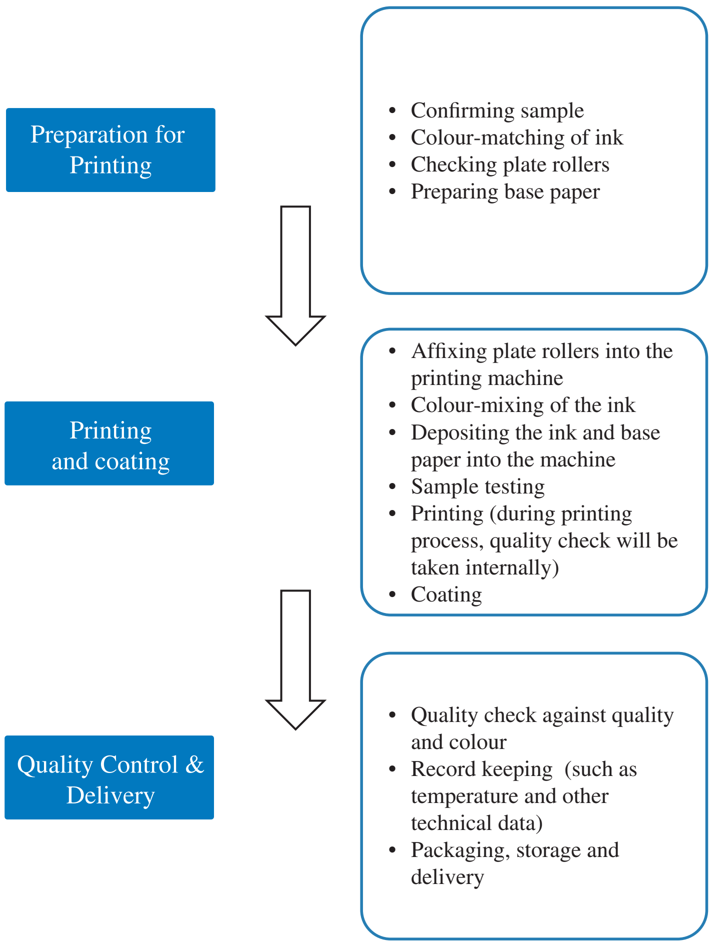
Impregnation

The primary impregnation station impregnates the decorative paper, following which it will be passed to the dryer oven for heat drying. The secondary impregnation station impregnates the decorative paper for the second time, which will then be passed to the cooling machine for heat drying. At the final stage of production, the precision cutter machine cuts the melamine impregnated paper into pieces, sizes of which are specified by our customers.

Quality control and delivery

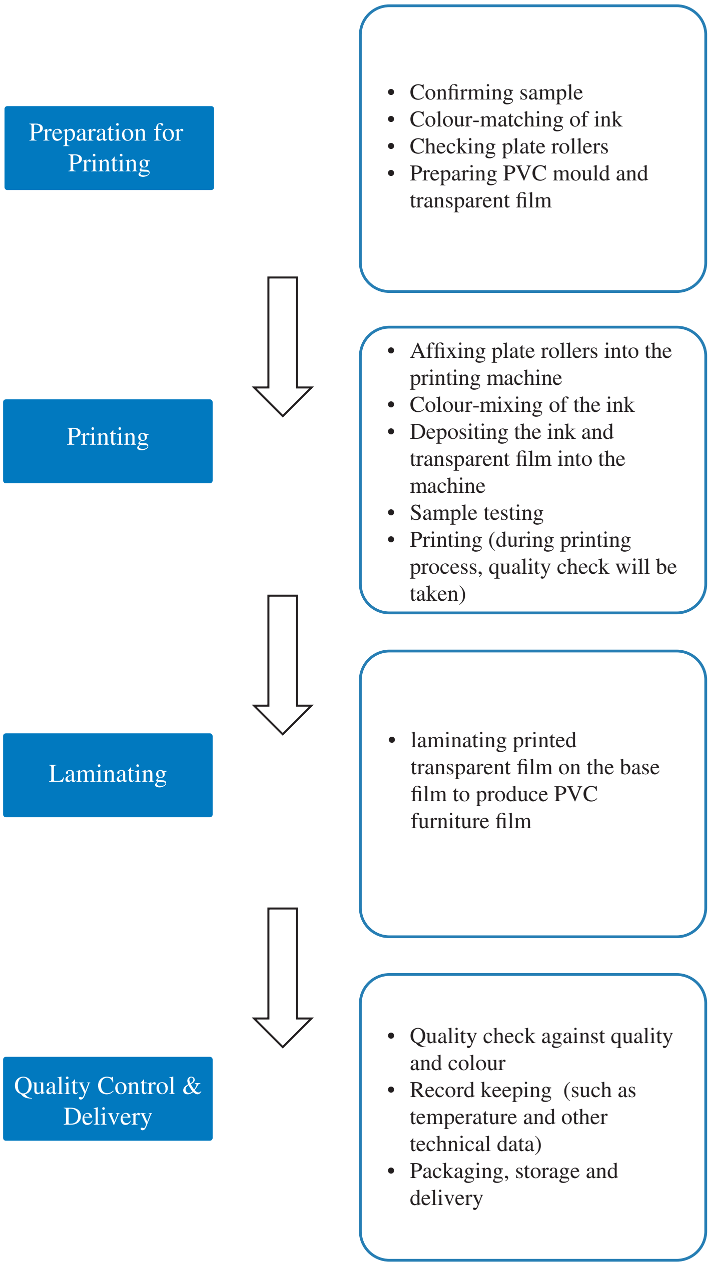
The quality control and delivery process of our melamine impregnated paper is the same as the key production process for decorative paper, finish foil paper and PVC decorative film products.

The following flowchart shows the key production process of our finish foil paper:



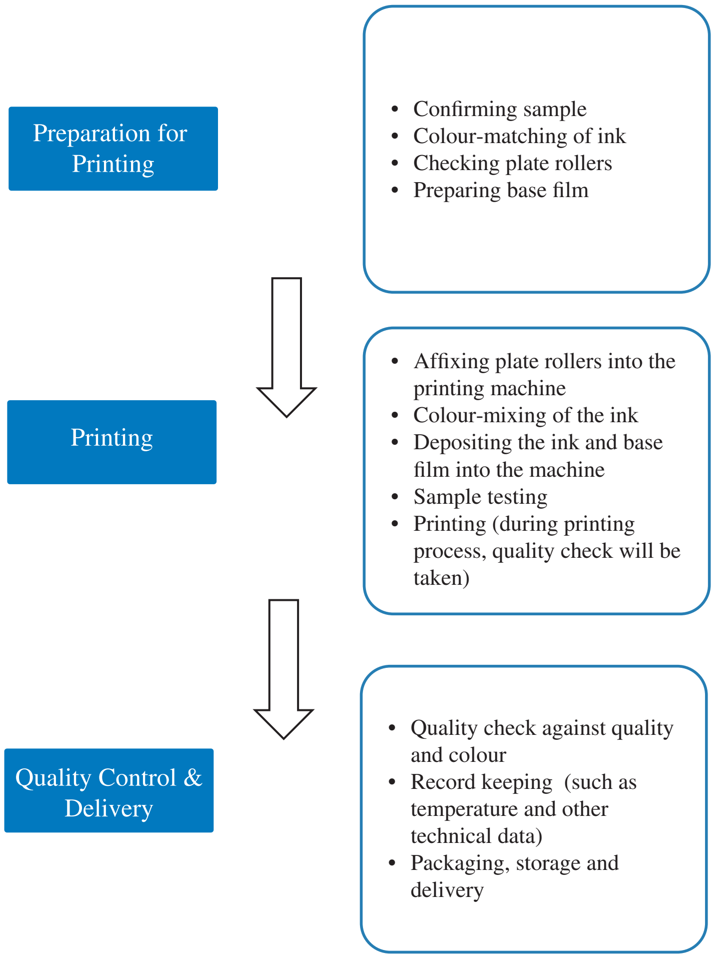
The process involving preparation for printing and quality control and delivery is the same as for decorative paper. After printing, the paper will be coated by a compound or polymer to impart certain qualities to the paper, including surface gloss, smoothness or reduced ink absorbency.

The following flowchart shows the key production process of our PVC furniture film:



The process involving preparation for printing and quality control and delivery is the same as for decorative paper except for the use of transparent film instead of base paper. After printing of the transparent film is completed, it is laminated on a base film by a hot rollers and produce our PVC furniture film.

The following flowchart shows the key production process of our PVC flooring film:



The process involving preparation for printing and quality control and delivery is the same as for decorative paper except for the use of base film instead of base paper. The printing process is also the same as that of PVC furniture film. After printing of the base film which is done by us, it is pressed on the scratch resistant film by a hot roller to produce PVC flooring film.

During the Track Record Period, we did not experience any disruption in production which materially and adversely affected our operations and financial conditions.

Machinery and equipment

We employ automated machinery and equipment in our production process, including high speed printing lines with plate rollers, melamine impregnating lines and a lamination line. The usual lifespan for our equipment in the production lines is approximately ten years on average. However, due to regular check-up and maintenance in place, the actual duration of use of our equipment may last longer. Our production equipments and machineries were mainly purchased from the PRC and imported from Taiwan. As of the Latest Practicable Date, we had altogether 17 operating production lines and each of these production lines is equipped with specific machinery and equipment. The other production equipment includes electroplating and pattern craving on our plate rollers. Our plate rollers which are engraved with patterns are stored in warehouses. We own all of our warehouses, production equipment and machinery.

Maintenance and repair

Generally, our production lines for the production of finish foil paper and PVC decoration film products operate 12 hours a day while our production lines for the production of decorative paper and melamine impregnated paper operate 12 to 24 hours a day. Depending on the size of order and the delivery time, our production lines can operate 24 hours a day. We have in place maintenance system for our production facilities and equipment managed by our facility management department including scheduled downtimes for maintenance and repairs by our employees. Regular inspection of our production facilities and equipment are also conducted by us in order to ensure that our production lines operate efficiently and at optimal levels. We may also carry out minor maintenance and repairs during weekends or holidays when necessary. Each production line currently requires a complete overhaul twice a year. Based on our policy to conduct overhauls on individual production line and the assessments conducted prior to each overhaul, our Directors confirm that we did not experience any disruption in production which materially and adversely affected our operations and financial conditions during the Track Record Period.

Subcontracting of impregnating process

The production of our melamine impregnated paper products requires a key process of impregnation. During the Track Record Period, our Group had once engaged one impregnating subcontractor and a small portion of the process of impregnation was subcontracted to our subcontractor (which was also one of our customers during the Track Record Period) due to the reason that our impregnation production line was unable to handle impregnation process of paper at certain width. We select this subcontractor based on our past experience working with it, its reputation in the industry and price.

Materials involved in our subcontractor's scope of works are generally sourced by us and provided to our subcontractor and the costs involved are included in the subcontracting fee. Common materials used in our projects sourced by such subcontractor include melamine resin.

During the two years ended 31 December 2015, the subcontracting fees amounted to approximately RMB700,000 and RMB39,000, representing approximately 0.4% and 0.1%, respectively, of the total cost of sales during the same period. Since mid-2014, we purchased new impregnation equipment which allowed us to handle impregnation process of paper of various width, we therefore did not incur any subsonctracting cost for the year ended 31 December 2016. We did not receive any material claims or complaints by our customers in respect of the quality of the melamine impregnated papers processed by our subcontractor during the Track Record Period.

Our Directors believe that, due to large number of subcontractors available in the market, our Group does not rely on our existing subcontractor in providing impregnation services to our Group. We did not enter into any long-term agreement with our subcontractor and we placed orders with them on an order-by-order basis. During the Track Record Period, we did not experience any material disputes with our subcontractor.

Industry Standard

As confirmed by our PRC Legal Advisers, given our products were all manufactured in the PRC, we are only subject to one mandatory industry standard (i.e., GB 18585-2001 Indoor decorating and refurbishing materials — limit of harmful substances of wallpapers) and several other voluntary industry standards in the PRC and our Directors confirmed that we complied with the mandatory industry standard during the Track Record Period. Apart from the PRC industry standard, our Directors confirmed that there was no other applicable industry standards in our overseas markets during the Track Record Period.

PROCUREMENT AND SUPPLIERS

We use a variety of raw materials in our manufacturing processes. Our principal raw materials include base paper, chemicals, PVC mould, metals and packaging materials. The table below sets forth the breakdown of our total purchase of raw materials during the Track Record Period:

	For the year ended 31 December					
	2014		**2015**		**2016**	
	RMB'000	*% of our total purchase*	*RMB'000*	*% of our total purchase*	*RMB'000*	*% of our total purchase*
Base paper (Note 1)	125,247	71.9	106,890	71.7	111,524	68.5
Chemicals (Note 2)	36,301	20.9	29,884	20.1	32,100	19.7
PVC mould (Note 3)	4,258	2.4	5,500	3.7	12,718	7.8
Metals (Note 4)	2,555	1.5	2,077	1.4	2,504	1.5
Packaging materials	1,947	1.1	1,747	1.2	2,180	1.4
Others (Note 5)	3,793	2.2	2,915	1.9	1,703	1.1
	174,101	100.0	149,013	100.0	162,729	100.0

Notes:

1. It represents the basic material for the production of decorative paper and finish foil paper.

2. It represents water and oil ink and other ancillary materials.

3. It represents the basic material for the production of PVC decorative film products.

4. It represents ancillary metallic materials for our machines and equipment.

5. Others include coal and materials for production of plate roller.

Our total cost of purchase of raw materials amounted to approximately RMB174.1 million, RMB149.0 million and RMB162.7 million for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively. During the Track Record Period, there was no material amount of defective raw materials returned to our suppliers by our Group.

Inventory management

Our procurement team is responsible for the purchase of raw materials and maintains an inventory to satisfy our production needs. Each personnel of our procurement team is responsible for sourcing different types of our principal raw materials, namely one for base paper and PVC mould, one for chemicals and one for metals and packaging materials. Depending on the specific requirement of our customers as to application of raw materials, part of our base paper supplied by our suppliers comes from sustainable sources. We have internal control measures in place to check whether such suppliers are authorised by Forest Stewardship Council to supply sustainable raw materials.

Our procurement team procures raw materials based on monthly production plans and projections formulated by our production team and the market environment. The production plans and projection formulated by our production team is primarily based on the sales orders received from our customers. We typically enter into agreements with a term of one year (subject to placed orders) with our suppliers for the supply of raw materials we use.

Purchase price is usually determined based on the prevailing market price when we place particular purchase order. Any significant increase in the prices of our raw materials would have impact on our cost of sales and we may experience difficulties in passing on these increased cost to our customers.

Our Group's purchases of raw materials were generally granted with an average credit term of 30 to 60 days. During the Track Record Period, we have not experienced any shortage of raw materials. Our Group also maintains an inventory management policy whereby we perform full stock take at least twice a year to ensure the accuracy and correctness of stock-in and stock-out information on record.

Our Suppliers

We believe we have established stable relationships with our major suppliers which ensure stable and reliable supply of our principal raw materials. During the Track Record Period, our top five suppliers have had business relationships with us for a period ranging from three to 12 years. During the Track Record Period, most of our suppliers are located in the PRC, save for one supplier located in Japan and one supplier located in Germany and from whom we purchased base paper for the production of some of our finish foil paper. Our major suppliers in the PRC are mainly located in Shandong Province, Jiangsu Province, Zhejiang Province and Shanghai. Given our raw materials are common, we believe there are readily available alternative suppliers for our raw materials and we do not foresee any difficulty in obtaining an adequate and timely supply.

When selecting our suppliers, our procurement team will collect the background information of our potential suppliers, following which we will assess them from various aspects, including their scale of operation, quality and price of their products and their punctuality in delivery. We also conduct testing on the samples of raw materials provided by our potential suppliers to ensure their quality.

During the Track Record Period, purchases from our top five suppliers accounted for 68.6%, 71.3% and 68.1%, respectively, of our total purchases, respectively, while purchases from our largest supplier accounted for approximately 33.7%, 28.1% and 28.2%, respectively, of our total purchases during the same period. We typically pay our top five suppliers by bank acceptance notes and bank transfer. Our Directors confirm that our top five suppliers are Independent Third Parties and none of our Directors and their respective close associates or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five suppliers during the Track Record Period and up to the Latest Practicable Date. We had not experienced any material shortage, delay or disruption in the supply of products during the Track Record Period.

The following tables set forth our top five suppliers during the Track Record Period:

For the year ended 31 December 2014

Supplier	Location	Principal business nature	Major products purchased	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Supplier A	Zhejiang Province, the PRC	Manufacturing and sales of base paper	Base paper	10	58,704
Supplier B	Shandong Province, the PRC	Manufacturing and sales of materials of base paper	Base paper	11	34,262
Supplier C	Jiangsu Province, the PRC	Manufacturing and sales of oil ink and water ink	Chemicals	12	12,081
Supplier D	Shandong Province, the PRC	Manufacturing and sales of different types of paper	Base paper	3	8,859
Supplier E	Zhejiang Province, the PRC	Manufacturing and sales of decorative paper, chemicals and base paper	Base paper	12	5,581

For the year ended 31 December 2015

Supplier	Location	Principal business nature	Major products purchased	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Supplier A	Zhejiang Province, the PRC	Manufacturing and sales of base paper	Base paper	10	41,895
Supplier B	Shandong Province, the PRC	Manufacturing and sales of base paper	Base paper	11	32,763
Supplier F	Zhejiang Province, the PRC	Research, manufacturing and sales of base paper	Base paper	12	14,712
Supplier C	Jiangsu Province, the PRC	Manufacturing and sales of oil ink and water ink	Chemicals	12	12,265
Supplier G	Jiangsu Province, the PRC	Manufacturing and sales of, among other things, plastic materials	PVC mould	5	4,682

For the year ended 31 December 2016

Supplier	Location	Principal business nature	Major products purchased	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Supplier A	Zhejiang Province, the PRC	Manufacturing and sales of base paper	Base paper	10	45,962
Supplier B	Shandong Province, the PRC	Manufacturing and sales of base paper	Base paper	11	38,806
Supplier F	Zhejiang Province, the PRC	Research, manufacturing and sales of base paper	Base paper	12	9,921
Supplier C	Jiangsu Province, the PRC	Manufacturing and sales of oil ink and water ink	Chemicals	12	8,747
Supplier G	Jiangsu Province, the PRC	Manufacturing and sales of, among other things, plastic materials	PVC mould	5	7,426

SALES AND MARKETING

Our sales department primarily focuses on increasing our sales to our existing customers and expanding our sales network.

During the Track Record Period, we sold our decorative printing materials products to both domestic and overseas markets. For each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016, our domestic sales accounted for 41.2%, 31.0% and 34.7% of our total sales, respectively, whereas our overseas sales accounted for 58.8%, 69.0% and 65.3% of our total sales during the same period, respectively. During the Track Record Period, our export destinations reached over 30 countries in Asia, North America, South America, Europe, Oceania and Africa. In particular, Pakistan and India are our key overseas markets which accounted for approximately 38.3%, 48.2% and 43.2% of our total revenue during the Track Record Period. Our domestic sales have been widely spread to cover customers in Shanghai, Guangzhou, Chongqing, Chengdu, Jiangsu Province, Shangdong Province, Hebei Province and Henan Province. Our sales team contacts our customers and sales agents and communicates with them regularly to collect information on their preferences, specifications, general requirements and feedbacks with respect to our products. Based on the information collected, we are able to further research and improve our products to suit our customers' requirements. As at the Latest Practicable Date, our sales department consisted of 30 employees, of which 14, 12 and four were responsible for domestic sales, overseas sales and sales of PVC decorative film products, respectively.

The following diagram illustrates some of the sales coverage of our decorative printing materials products:

The following table sets forth a breakdown of our revenue by geographical locations of our customers during the Track Record Period:

	For the year ended 31 December								
Ranking	2014			2015			2016		
		RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*
1	The PRC	98,353	41.2	Pakistan	84,916	39.2	Pakistan	89,331	35.9
2	Pakistan	70,640	29.6	The PRC	67,119	31.0	The PRC	86,293	34.7
3	India	20,817	8.7	India	19,518	9.0	India	18,045	7.3
4	Kenya	9,272	3.9	Kenya	7,651	3.5	Kenya	9,168	3.7
5	Thailand	3,733	1.5	Thailand	3,993	1.8	Thailand	7,776	3.1
	Others*(Note 1)*	36,048	15.1	Others*(Note 1)*	33,401	15.5	Others*(Note 1)*	38,160	15.3
	Total*(Note 2)*	238,863	100.0	Total*(Note 2)*	216,598	100.0	Total*(Note 2)*	248,773	100.0

Note:

1. Others include countries in Asia, North America, South America, Europe, Oceania and Africa.

2. For each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, approximately 1.8%, 2.0% and 0.4%, of our total revenue, respectively, was attributed to customers or consignees in Afghanistan, Belarus, Ukraine, Iran and Syria. We ceased our sales to these Sanctioned Countries as from September 2016.

Breakdown of sales volume, average selling price and gross profit margin by major geographical locations during the Track Record Period:

The table below sets forth the breakdown of the sales volume, average selling price and gross profit margin by major geographical locations during the Track Record Period:

	For the year ended 31 December								
	2014			**2015**			**2016**		
	Sales volume '000	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*	*Sales volume '000*	*Average selling price RMB*	*Gross profit margin*
The PRC			28.3%			25.8%			34.5%
- Decorative paper/tonnes	2.7	19,767.0		2.0	19,614.2		2.1	19,217.0	
- Finish foil paper/metres	19,068	1.0		9,206	1.0		6,352	1.1	
- Melamine impregnated paper/pieces	2,163	8.1		1,276	8.4		1,969	7.6	
- PVC furniture film/metres	—	—		82	8.0		452	8.5	
- PVC flooring film/metres	2,225	3.4		2,663	3.3		5,394	3.5	
Pakistan			5.9%			11.0%			15.7%
- Decorative paper/tonnes	5.0	13,894.4		5.7	13,928.3		6.5	12,804.9	
- Finish foil paper/metres	3,922	1.3		4,996	1.4		5,149	1.1	
- Melamine impregnated paper/pieces	—	—		—	—		—	—	
- PVC furniture film/metres	—	—		2	14.0		—	—	
- PVC flooring film/metres	—	—		—	—		—	—	
India			26.9%			27.8%			38.0%
- Decorative paper/tonnes	1.2	16,962.3		1.1	17,117.7		1.0	17,384.2	
- Finish foil paper/metres	47	1.1		9	1.4		20	1.6	
- Melamine impregnated paper/pieces	—	—		—	—		—	—	
- PVC furniture film/metres	—	—		—	—		—	—	
- PVC flooring film/metres	—	—		—	—		—	—	

Our sales volume of our decorative papers, finish foil papers and melamine impregnated papers in the PRC decreased during 2015, while they were rebounded during 2016. Please refer to the section headed "Financial information — Review of historical operating results — Revenue" in this prospectus for more details. The continuing increase in the sales volume in the Pakistan market in 2015 and 2016 was mainly due to the increase in demand of our products from our customers along with the expanding decorative papers market in Pakistan. The decline in the sales volume of finish foil papers in the Indian market was due to the fluctuation of number of order received from our only customer in the Indian market for finish foil paper. There were three orders received in 2014 while only one order was received in 2015. Two orders were received in 2016 which led to the increase in the sales volume of finish foil papers in the Indian market during the relevant period.

The average selling prices of decorative paper in the PRC market decreased during the years of 2014, 2015 and 2016. According to the Industry Report, the average selling price of decorative paper decreased by approximately 1.1% in 2015 and 0.6% in 2016, respectively), which in turn led to the decline in the average selling prices of our decorative paper during the relevant period. The average selling prices of our finish foil paper in the PRC market kept at a relatively stable pricing level during the years of 2014, 2015 and 2016. The increase in the average selling prices of our finish foil papers in the PRC market between 2014 and 2015 was mainly attributable to the decline in sales to two of our major PRC customers for our finish foil papers, which we sold the products to them at relatively lower prices. The decrease in the average selling prices of our melamine impregnated papers in the PRC market in 2016 was mainly attributable to the price offer of approximately 12.9% discount to New Customer A under the cooperation arrangement. The average selling prices of our PVC flooring film in the PRC market was relatively stable during the years of 2014 and 2015. There was an increase in average selling price of our PVC flooring film in the PRC market between 2015 and 2016. It was mainly attributable to the change of product feature which led to a high production cost. For our PVC furniture film, we newly launched these products to the market in April 2015. During 2016, we provided more variety of products to the market, which led to the increase in average selling prices of our PVC flooring film in the PRC market during the relevant period.

The average selling price of each of our decorative paper and finish foil paper in the Pakistan market was stable in 2014 and 2015, respectively. However, there was a decrease in the average selling price in 2016. Having considered that (i) we have long business relationship with our Pakistan customers; and (ii) we intend to boost our sales volume and capture more market share in Pakistan, we offered the discount of the selling prices to our Pakistan customers during 2016 which in turn led to the decrease in the average selling price in 2016.

The increase in average selling prices of finish foil paper in the Indian market in 2016 was mainly attributable to different product types purchased in these orders from the only customer of our finish foil paper in the Indian market. The average selling price of decorative paper in the Indian market increased during the years of 2014, 2015 and 2016. It was attributable to the benefit of the depreciation of US dollars against RMB during the relevant period which our sales to the Indian market were denominated in US dollars.

The following table sets forth the sales volume of our products during the Track Record Period:

	Year ended 31 December			Increase/ (Decrease) rate of sales volume between 2014 and 2015	Increase/ (Decrease) rate of sales volume between 2015 and 2016
	2014	2015	2016	2015	2016
	'000	*'000*	*'000*	*%*	*%*
Decorative paper/ tonnes	10.8	10.6	11.8	(1.9)	11.3
Finish foil paper/ *metres*	28,289.8	18,784.7	16,108.2	(33.6)	(14.2)
Melamine impregnated paper/ pieces	2,951.8	1,984.4	2,903.4	(32.8)	46.3
PVC furniture film/ *metres*	Nil	79.5	491.0	N/A	517.6
PVC flooring film/ *metres*	2,185.3	2,596.8	5,434.8	18.8	109.3

Compared to the amounts for the year ended 31 December 2014, the decrease in the sales volume of our decorative papers for the year ended 31 December 2015 was mainly due to the decrease in business transactions with some of the PRC customers as (i) we adopted a more conservative credit policy to phase out certain customers who maintained relatively long outstanding trade receivable balances with us; (ii) the decrease in business transactions with PRC trading entities as we intended to increase the business transactions with the manufacturers directly, which contributed higher profit margin and/or more stable sales orders, in particular, we started to explore and develop business relationship with some sizable furniture manufacturers during the year; and (iii) the decrease in purchase orders from a PRC customer which was a wooden door manufacturer, and the effect was offset by the increase in the sales volume from Pakistan customers. Similarly, the decrease in the sales volume of our finish foil paper and melamine impregnated paper in 2015 comparing with 2014 was mainly attributable to the decline in sales in the PRC market. The increase in the sales volume of PVC flooring film was mainly because we secured a new customer during the second half of 2015.

Compared to the amount for the year ended 31 December 2015, the increase in sales volume of our decorative papers for the year ended 31 December 2016 was mainly due to the increase in sales volume from our PRC, Pakistan, Kenya and Thailand customers. The increase in sales volume of our melamine impregnated paper was mainly due to the sales of the melamine impregnated papers to New Customer A and its sub-contractors, who started to place sales orders with us in November 2016. The increase in the sales volume of PVC furniture film was mainly attributable to over 20 new customers have started business with us during 2016. The increase in sales volume of our PVC flooring film was mainly because (i) the two customers we secured in 2015 increased orders during 2016; and (ii) following the strengthening of our manpower in our sales department of PVC decorative film products and putting more effort in the promotion of our PVC flooring products, we recorded increased orders from our existing customers during 2016. The sales volume of our finish foil paper was on a decreasing trend due to the decrease in purchase orders from a PRC customer which was a wooden door manufacturer. Please refer to the paragraph headed "Review of historical operating results — Revenue" under the section headed "Financial information" in this prospectus for details.

Our customers

We had served over 500, 400 and 500 customers for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively. For each of the years ended 31 December

2014, 31 December 2015 and 31 December 2016, the revenue from our five largest customers accounted for approximately 20.7%, 26.3% and 26.0% of our total revenue, respectively, and our largest customer accounted for approximately 7.9%, 11.1% and 10.2% of our total revenue, respectively. Through over 20 years of service in the industry, we have established a solid track record of manufacturing and sales of our decorative printing materials products to our customers at different stages of our development. Our customers include overseas and domestic manufacturers of wood products such as furniture and flooring and trading entities including trading companies and sales agents. Our Directors confirmed that it is our business strategy to further increase revenue contribution from Pakistan and other overseas market.

Breakdown of sales by type of customer

The table below sets forth the breakdown of the sales by type of customers during the Track Record Period:

	For the year ended 31 December					
	2014		**2015**		**2016**	
	Sale RMB'000	*Gross profit margin*	*Sale RMB'000*	*Gross profit margin*	*Sale RMB'000*	*Gross profit margin*
Manufacturers of furniture and flooring	224,285	23.1%	204,581	21.7%	234,183	29.2%
Trading entities	14,578	6.1%	12,017	7.5%	14,590	23.4%
Total	238,863	22.1%	216,598	20.8%	248,773	28.9%

For the three years ended 31 December 2016, among our sales to the two major types of customer above, approximately a total of RMB75.7 million, RMB89.1 million and RMB96.1 million of sales were derived through referrals from sales agents, of which approximately RMB68.7 million, RMB82.1 million and RMB89.6 million were derived from our sales to manufacturers of furniture and flooring customers, and approximately RMB7.0 million, RMB7.0 million and RMB6.5 million were derived from our sales to trading entities customers.

The gross profit margins of our sales to the trading entities remain relatively stable between 2014 and 2015, while that increased from 7.5% to 23.4% during the years of 2015 and 2016. This was mainly due to (i) the decrease in sales to the individual trading entities at lower selling prices; and (ii) the increase in sales to the trading entities which were engaged in export sales at higher selling prices. In 2016, the sales to one of our customers, which is a trading entity, increased from nil for the year ended 31 December 2015 to approximately RMB4.1 million for the year ended 31 December 2016, which accounted for approximately 28.0% of our sales to trading entities in 2016. The customer was engaged with export sales with relatively higher gross profit margin, which caused significant increase in gross profit margin of products sold to trading entities in 2016.

The gross profit margins of our sales to manufacturers increased from 21.7% in 2015 to 29.2% in 2016. This was mainly due to (i) sharp increase in sales of our PVC decorative products to manufacturers which had higher gross profit margin; (ii) the decrease in average cost of chemicals used for our production as we utilised higher portion of self-produced printing ink for the printing of our products; and (iii) we were able to maintain relatively stable prices for sales to manufacturers despite we experienced a decrease in purchase costs of base paper, the major raw materials for our production.

Manufacturers

Our products are mainly sold to overseas and domestic manufacturers, which generally apply our products to manufacturing of wood products such as furniture and flooring. Some manufacturers apply our products by pressing them onto the surface of boards and further sold to downstream manufacturers. To the best knowledge of our Directors, the manufacturers sell their products to their own customers. We are not involved in any sales and marketing of our products by these manufacturers nor do we have any policy to monitor sales of our products by these manufacturers.

Trading entities

Our products are also sold to trading companies overseas and in the PRC and they further sell our products to their own customers. We are not involved in any sales and marketing of our products by these trading companies nor do we have any policy to monitor sales of our products by these trading companies. We do not enter into long term sales agreements with the trading companies and our products are sold to them on an order-by-order basis which, to the best knowledge of our Directors, are then further sold to their overseas and domestic customers.

Referrals from our existing sales agents

We also attract new manufacturers of furniture and flooring and trading entities customers through referrals from our sales agents. During the Track Record Period and as of the Latest Practicable Date, we engaged third-party sales agents to explore new customers and liaise with existing customers in six of our overseas markets, including Pakistan, Turkey, Italy, Australia, South Korea and Brazil. During the Track Record Period, we had only made direct sales to our sales agent in Australia, amounted to approximately nil, RMB21,000 and RMB98,000, respectively.

Major terms of sales agent agreement

The following sets out the principal terms in the agreements with our sales agents:

Scope of work:	primarily responsible for development of the relevant local market for our Group
Term:	typically one year with automatic renewal mechanism if no termination notice is given
Payment:	commission basis, with a rate ranging from 1% to 5% based on the total sales amount or volume

Exclusivity:	no exclusivity is given to the sales agent in its relevant market but our Group typically only engage one sales agent in each market
Termination:	terminate upon expiry of one year term if termination notice is given by either party. In the event of breach of contractual terms, either party may early terminate the contract.

Each of these overseas market is serviced by one sales agent. For each the three years ended 31 December 2016, the commission incurred to sales agents amounted to approximately RMB2.0 million, RMB2.1 million and RMB2.7 million, respectively, representing approximately 15.8%, 18.4% and 19.1% of total selling expenses. During the three years ended 31 December 2016, our top sales agent was located in Pakistan and accounted for 29.6%, 39.2% and 35.9% of our total sales of the Group, respectively.

Our sales agent in Pakistan

During the Track Record Period, we had approximately 20 customers in aggregate referred by Mapara International Marketing, our Pakistan's sales agents. Among these customers, one of them was a trading company and the others were all manufacturers. During the Track Record Period, four, four and three of our top five customers were from Pakistan. Please refer to the top five customers' tables below for detail information of these customers. Its main scope of services includes understanding the customers' specific requirements such as design and colour, sharing Pakistan's market intelligence and handling customers' enquiries and complaints. The sales agent handles the day-to-day administrative operation of our customers such as follow-up sales orders and relevant paper works and clients' liaison. Our Group came to know this sales agent through overseas exhibition and we engaged this sales agent since 2007. We renewed the sales agent agreement with this sales agent in 2016 for a term of five years. The principal terms of the sales agent agreement for this sales agent are similar to the major terms stated under the paragraph headed "Major terms of sales agent agreement" above. This sales agent is an Independent Third Party of our Group and we made no direct sales to this sales agent during the Track Record Period and up to the Latest Practicable Date.

Established in 2002, our sales agent operates his business in the form of sole proprietorship (Mr. Ismail Mahmood Mapara being the sole proprietor) in Pakistan with headquarter based in the city of Karachi. As confirmed by our sales agent in Pakistan, our sales agent has four staff in the office and its principal business is representing suppliers from different countries principally in the paper industry and marketing their products. Customer base of this sales agent includes Pakistan manufacturers and trading entities. Apart from acting as our sales agent, this sales agent also serves another PRC manufacturer and its principal business is the manufacturing and sales of base paper. This manufacturer is a company listed in the PRC and is not our competitor. Our sales agent also deals in packaging paper like brown grades and duplex board used by pharmaceuticals for packaging medicines. Mr. Mapara has years of experience in decorative paper industry. Prior to starting his own business in 2002, he worked in his father's business which was also a paper agency business serving both Pakistan's local newsprint and publishers and overseas customers in the field of decorative paper including companies based in Germany and Spain.

During the Track Record Period and up to the Latest Practicable Date, we had no material disputes with our sales agent in Pakistan. Our Directors consider that it is feasible to find an alternative sales agent in Pakistan but it is the common understanding with our sales agent that we would only engage one sales agent in each market.

The following tables set forth our top five customers during the Track Record Period:

For the year ended 31 December 2014

Customer	Location	Principal business nature	Major products sold	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Customer A*(Note 1)*	Pakistan	Manufacturing of wood, cork, straw and plaiting materials as well as that of veneer sheets and wood base panels	Decorative paper	7	18,767
Customer B*(Note 2)*	Pakistan	Manufacturing of other products of wood, manufacture of wood, articles of cork, straw and plaiting materials	Decorative paper and finish foil paper	7	8,177
Customer C*(Note 3)*	Kenya	Manufacturing of medium density boards and particle boards	Decorative paper	5	8,059
Customer D*(Note 4)*	Pakistan	Manufacturing of sugar, medium density board, power generation and its sale	Decorative paper and finish foil paper	10	7,466
Customer E*(Note 5)*	Pakistan	Importing and sale of decorative printed papers	Decorative paper	4	7,059

For the year ended 31 December 2015

Customer	Location	Principal business nature	Major products sold	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Customer A*(Note 1)*	Pakistan	Manufacturing of wood, cork, straw and plaiting materials as well as that of veneer sheets and wood base panels	Decorative paper	7	24,122
Customer B*(Note 2)*	Pakistan	Manufacturing of other products of wood, manufacture of wood, articles of cork, straw and plaiting materials	Decorative paper and finish foil paper	7	11,470
Customer D*(Note 4)*	Pakistan	Manufacturing of sugar, medium density board, power generation and its sale	Decorative paper and finish foil paper	10	8,405
Customer E*(Note 5)*	Pakistan	Importing and sale of decorative printed papers	Decorative paper	4	6,934
Customer C*(Note 3)*	Kenya	Manufacturing of medium density boards and particle boards	Decorative paper	5	6,118

For the year ended 31 December 2016

Customer	Location	Principal business nature	Major products sold	Year of relationship (up to 31 December 2016) (approximately)	Transaction amounts (RMB'000) (approximately)
Customer A*(Note 1)*	Pakistan	Manufacturing of wood, cork, straw and plaiting materials as well as that of veneer sheets and wood base panels	Decorative paper	7	25,285
Customer B*(Note 2)*	Pakistan	Manufacturing of other products of wood, manufacture of wood, articles of cork, straw and plaiting materials	Decorative paper and finish foil paper	7	11,680
Customer F*(Note 6)*	PRC, Thailand, India and Taiwan	Manufacturing and distribution of building materials and residential and commercial construction	Decorative paper	11	10,768
Customer C*(Note 3)*	Kenya	Manufacturing of medium density boards and particle boards	Decorative paper	5	8,658
Customer D*(Note 4)*	Pakistan	Manufacturing of sugar, medium density board, power generation and its sale	Decorative paper and finish foil paper	10	8,374

Note 1: Established in 1997, Customer A is a private company incorporated in Pakistan with authorised and paid-up share capital of approximately US$2,390,000.

Note 2: Established in 2005, Customer B is a private company incorporated in Pakistan with paid up share capital of approximately US$478,000.

Note 3: Established in 2000, Customer C is a private company incorporated in Kenya with paid up share capital of approximately US$197,000.

Note 4: Established in 1969, Customer D is a public company incorporated in Pakistan and listed on the Karachi Stock Exchange and the Lahore Stock Exchange. For the financial year ended 30 September 2016, Customer D reported total sales revenue of approximately US$76,737,000 and net profit of approximately US$1,600,000.

Note 5: Customer E represents two trading companies incorporated in Pakistan in 1997 and 1999, respectively, and they exclusively sold our products to a Pakistan incorporated company which would impregnate our products and sold to its end customers during the Track Record Period.

Note 6: Customer F is a number of wholly-owned subsidiaries of a listed company in the New Zealand Stock Exchange and the Australian Stock Exchange. The total revenue of the whole public group amounted to approximately NZ$ 9.0 billion and earning after taxation of approximately NZ$473 million for the year ended 30 June 2016. We purchased packaging materials from Customer F for one transaction during 2015 amounted to approximately RMB3,000, which was specially requested by Customer F for packaging some of our products. Save as such purchase, there was no other purchase from Customer F during the Track Record Period.

To our Directors' best knowledge and belief, each of our top five customers is an Independent Third Party and none of our Directors, their respective close associates or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five customers during the Track Record Period and up to the Latest Practicable Date.

Pricing

When pricing our products, we take the same pricing strategy for trading companies and manufacturers of furniture and flooring and we take into account various factors such as production cost, prices of raw materials, quantity, quality, the innovativeness of our products, prices of our competitors, our product positioning and our Group's position in the market.

Below is the average selling price of our key products during the Track Record Period:

	For the year ended 31 December 2014 *(RMB)*	For the year ended 31 December 2015 *(RMB)*	For the year ended 31 December 2016 *(RMB)*	Increase/ (decrease) rate of average sales price between 2014 and 2015 *(%)*	Increase/ (decrease) rate of average sales price between 2015 and 2016 *(%)*
Decorative paper (per tonne)	16,203	15,860	15,360	(2.1)	(3.2)
Finish foil paper (per metre)	1.14	1.18	1.23	3.5	4.2
Melamine impregnated paper (per piece)	8.4	8.7	8.2	3.6	(5.7)
PVC furniture film (per metre)	N/A	8.0	8.5	N/A	6.3
PVC flooring film (per metre)	3.4	3.3	3.5	(2.9)	6.1

During the Track Record Period, our Group provided a wide variety of products with different selling prices. The average selling price of our key products of each category in the above table represents the sales generated from a particular product category divided by the total sales volume of that category for the respective year. The average selling prices of our key products are subject to various factors such as production costs, prices of raw materials, quantity, quality, the innovativeness of our products, prices of our competitors, our product positioning and our Group's position in the market during the Track Record Period. As analysed in the section headed "Industry overview — Selling price of decorative paper in the PRC", the average selling price of decorative paper decreased by approximately 1.1% in 2015 and decreased by 0.6% in 2016, respectively), which led to the decline in the average selling prices of our decorative paper during the relevant period. The increase in the average selling prices of our finish foil paper was mainly attributable to the increase in portion of our sales which produced by high-end base papers during the year of 2015 and 2016. The increase in the average selling prices of our melamine impregnated paper between 2014 and 2015 was mainly attributable to the decline in sales to two major PRC customers for our finish foil papers, which we sold the products to them at relatively lower prices. The decrease in the average selling prices of our melamine impregnated papers in 2016 was mainly attributable to the price offer to New Customer A under the cooperation arrangement. The average selling prices of our PVC flooring film was relatively stable during the years of 2014 and 2015. There was increase in average selling prices of our PVC flooring film between 2015 and 2016. It was mainly attributable to the change of product feature which we offered products with wider width at higher selling price. For our PVC furniture film, we newly launched these products to the market in April 2015. During 2016, we provided more variety of products to the market, which led to the increase in average selling prices of our PVC flooring film during the relevant period.

Credit policy

We generally provide credit period up to 30 to 90 days for our domestic and overseas customers based on various factors including their scale of operation, future business cooperation prospect, the trading and payment history of the relevant customers, and our business relationship with them. We also conduct internal credit investigation against our customers and build customers' credit profiles by rating our customers.

For overseas customers, we normally require our customers to pay the order by letter of credit or document against payment at sight. For certain domestic customers which have long term relationship with us, we agree with them to settle the payment within 30 to 90 days. Our domestic customers mainly settle their payments in RMB by way of telegraphic transfer or bills of exchange. Our overseas customers mainly settle their payments in USD and EUR by way of letter of credits, documents against payment and telegraphic transfer.

We have not adopted any arrangement to hedge any fluctuation in the foreign currency in relation to our overseas sales during the Track Record Period.

Instead of a general provision policy, we adopt a credit control measure. We regularly prepare 30 day overdue report of trade receivables and closely monitor its collection status. When trade receivables become overdue, reminders will be sent to the relevant customers. Our responsible sales and marketing staff will contact the respective customers to follow up the collection status. Overdue reports are regularly reviewed and followed up by our responsible staff with the respective customers. Based on the results of discussion with these customers and management's experience, we will assess if it is necessary to write-off or make provision for bad or doubtful debts and/or to terminate business relationship with those customers with long overdue balances of trade receivables. We may reject purchase orders from the respective customer until full settlement of all outstanding invoices. As a prudent measure, we make allowance for bad and doubtful debts based on assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of the respective customer. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates by our management. We usually take into account of factors such as long age trade receivables and any sign of deteriorating financial conditions of the respective customers to decide if allowance for impairment is required or not. When the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and bad and doubtful debt expenses in the year in which such estimate has been changed. For each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016, allowance for trade receivables of approximately RMB4.0 million, RMB3.9 million and RMB2.6 million, representing approximately 9.6%, 9.1% and 4.6% of our trade receivables, respectively, have been made. During the same year, bad and doubtful debts of approximately reversal of RMB28,000, write-off of RMB325,000 and RMB1,012,000, respectively, have been provided. We may consider to take legal actions against customers with long outstanding unsettled balance with us. No such legal action was taken by us during the Track Record Period. We consider that we have adopted an effective credit control measure and had not encountered material difficulty in the enforcement of debt collection during the Track Record Period.

Product delivery

We typically arrange for delivery of our products by third party logistics service providers to our domestic customers and bear the delivery costs. Under such arrangement, the logistics service providers are responsible for any product damage caused during delivery, and the legal title, risks and rewards of our products are passed to our customers upon acceptance of our products at the specified locations. In the event of any loss or damage to our products during delivery, we are entitled to claim damages from our logistics service providers.

Our products are delivered to our overseas customers under FOB, CIF or C&F basis typically from the port of Shanghai. According to the FOB arrangement, we would be responsible for arranging delivery from our factories to specified ports in the PRC and our products' legal title, risks and rewards, among others, pass to the overseas customers at the exporting ports in the PRC when our products have passed over the rails of ships appointed by our overseas customers. In case of CIF arrangement, we arrange and pay for the carriage of our products by sea to the ports as designated by our customers as well as the insurance costs but risk of loss and damage of our products are borne by our customers as our products are loaded on the ship at the port of shipment. In case of C&F arrangement, the terms are the same as the CIF arrangement except that we do not have to arrange and pay for insurance.

After sales services

Our sales team contacts our customers to collect information and communicate with them regularly on their preferences, specific requirements and feedbacks in respect of our products. Through active communication, we are able to obtain feedbacks for improvement of existing products and development of new products to respond to our customers' needs.

We usually do not provide warranty to our customers. However, if our customers lodge complaints, such complaints will be put on record and an investigation will be conducted. For every batch of order, our manufacturing department keeps a record of our products before they are delivered to our customers. As such, our investigation involves checking such records against the complaints lodged by our customers. Should the results of the investigation indicate that we are responsible for any faults or defects in our products, we will compensate our customers or exchange the products, subject to the extent of the defects and upon negotiations with our customers. Furthermore, we will conduct internal review to find out and analyse the reasons for such faults or defects, following which our quality control department will follow-up with the implementation of the improvement proposals by the relevant departments and ensure the long-term effectiveness of the improvement proposals. During the Track Record Period, we had not received any complaints from our customers regarding defective products which would result in having a material impact on the financial condition of our Group.

Marketing and promotion

In order to strengthen our relationship with our existing customers, in addition to regular communication, our sales team pays visits to our customers from time to time.

We attend trade exhibitions overseas and in the PRC to promote our brand and our products to explore opportunities with new customers. During the Track Record Period, we attended trade exhibitions in various locations including Guangzhou and Shanghai of the PRC, Germany, Brazil, Turkey and the U.S.

We also promote our new products among our existing customers by providing them with sample of new products from time to time.

RESEARCH AND DEVELOPMENT

We place great emphasis on our research, development and design in order to offer a diversified range of products to our customers. Our research and development centre is located at the Shangguafan Factory and is mainly responsible for contributing ideas on new production processes, modification to existing products and the development of new products. We also have a showroom to display of our self-developed products and designs. As at the Latest Practicable Date, our research and development team consisted of 15 staff, which comprised mainly of experienced personnel in the decorative printing materials products industry.

We consider research, development and design to be of key importance to our success and growth. Accordingly, our research and development team is equipped with advanced technology including cruse scanner, ink efficient nano-grinding machine, electronic cylinder engraving and precision equipment.

Product design and development

Through continuous development and innovation, we create new values in our products for our customers. For instance, our PVC decorative film products, being environmentally-friendly, features waterproof, scratch resistant and acid and alkali resistant characteristics. As at the Latest Practicable Date, we provided our customers with over 2,000 designs for selection.

We seek to cater for the preferences of our customers based on the information collected as described below:

- *Obtaining feedback and preferences from our customers.*

  Our sales team closely communicates with our customers on a regular basis to collect their feedback, which will be passed to our research and development team to enable them to better understand our customers' requirements and preferences.

- *Obtaining market information and trends.*

  Our research and development team collects market information to develop new designs to keep up with the market trends.

Technological development

Apart from creating new designs, our research and development team seeks to continuously improve our manufacturing technology including plate rollers engraving, ink development and impregnation technology. Up to the Latest Practicable Date, our Group had obtained three patents in the PRC for our invention, including (i) a patented self-produced ink for decorative paper and its production method; and (ii) two patented materials for PVC furniture film and their production, relating to self-developed technology. For details, please refer to the section headed "Appendix V — Statutory and General Information" to this prospectus. During the Track Record Period, our research and development expenses were approximately RMB9.0 million, RMB8.7 million and RMB9.5 million, respectively.

SEASONALITY

Our sales volume may be affected by seasonality. Revenue fluctuations throughout the year are common for the decorative printing material products industry which is subject to seasonal variation. We generally record higher sales revenue in the fourth quarter each year, where majority of the orders need to be delivered before the Chinese New Year period; and generally record lower revenue during the fasting period in Pakistan each year.

INVENTORY MANAGEMENT

We monitor and control the inventory levels of our raw materials and finished products to optimise our operations, sales and delivery of our products. Our procurement team works closely with our production and sales teams to place orders for raw materials to meet our production needs. The raw materials procured by us are stored in our storage facilities located at our factories.

We strictly implement the safety measures of the inventory control for the purpose of the prevention from any industrial accidents. The inflammable materials, such as base papers and chemicals, are separately stored in an independent warehouse, in which the temperature is maintained low.

QUALITY CONTROL

We place heavy emphasis on the quality of our products and have implemented a comprehensive quality control system. Our quality control policy seeks to assess the quality of our products from three aspects, namely appearance, measurement and characteristics.

Our quality control system includes the following processes:

- Raw materials — three quality control staff are responsible for inspection of the raw materials we procure, including base paper, chemicals and ink. We conduct sample checks regularly on the materials we procured;

- Production process — four quality control staff are responsible for quality control of the production process at the printing lines and impregnating lines. First round of products produced from each production cycle will normally be inspected against the samples.

For each quality inspection carried out throughout the quality control process, our quality control staff shall make a written record for future reference. In order to carry out effective performance testing of our products, we have procured advanced testing equipment, including gas transmission rate tester, paper smoothness tester, moisture analyser, cobb absorption tester, rub tester, PH tester, gas chromatographer tester, quantitative sampler and plastic tensile tester and paper permeability tester. During the Track Record Period, we were awarded ISO 9001 and ISO 14001 certifications, which indicate our strict quality management system covering different aspects. For each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016, our sales returns amounted to approximately 0.3%, 0.3% and 0.2% of the total revenue, respectively.

AWARDS AND CERTIFICATIONS

In recognition of our quality and management, we have been granted a number of awards and certifications. The most significant awards and certifications we received are summarised as follows:

Date of grant	Award/Certification	Issuing authority/ institution	Valid period
2014	High and New Technology Enterprise* (高新技術企業)(Note)	Department of Science and Technology of Zhejiang Province* (浙江省科學技術廳) Department of Finance of Zhengjiang Province* (浙江省財政廳) Zhejiang Provincial Office of State Administration of Taxation* (浙江省國家税務局) Zhejiang Province Local Taxation Bureau* (浙江省地方税務局)	Three years since 29 September 2014
2014	The year of 2013 Lin'an City Top Ten Foreign Trade Enterprise* (2013年度臨安市十佳外貿企業)	The Communist Party of China Lin'an Committee* (中共臨安市委) Lin'an City People's Government* (臨安市人民政府)	Not applicable
2014	ISO14001:2015* (環境管理體系認證證書)	Beijing United Intelligence Certification Co., LTD. (北京聯合智業認證有限公司)	21 June 2017-20 June 2020
2014	ISO9001:2015* (質量管理體系認證證書)	Beijing United Intelligence Certification Co., LTD. (北京聯合智業認證有限公司)	21 June 2017-20 June 2020
2014	OHSAS 18001:2007* (職業健康安全管理體系認證證書)	Beijing United Intelligence Certification Co., LTD. (北京聯合智業認證有限公司)	21 June 2017-20 June 2020
2013	Hangzhou City Famous Trademark* (杭州市著名商標)	Hangzhou City Bureau of Industry and Administration * (杭州市工商行政管理局)	1 January 2014 -31 December 2018

Date of grant	Award/Certification	Issuing authority/ institution	Valid period
2013	The year of 2012 Hangzhou Patents Pilot Enterprise* (2012年度杭州市專利試點企業)	Hangzhou Science Technology Committee* (杭州市科學技術委員會) Hangzhou Intellectual Property Bureau* (杭州市知識產權局)	Not applicable
2012	The year of 2011 Composite Decorative Materials Industry The Top Enterprise* (2011年度複合裝飾材料行業龍頭企業)	The Communist Party of China Lin'an Committee* (中共臨安市委) Lin'an City People's Government* (臨安市人民政府)	Not applicable
2011	Zhejiang Famous Brand — Shenglong Brand woodgrained paper* (浙江名牌產品- 盛龍牌木紋紙)	Zhejiang Quality and Technology Supervision Bureau* (浙江質量技術監督局)	Not applicable
2010	Hangzhou City Innovative Pilot Enterprise* (杭州市創新型試點企業)	Hangzhou Science Technology Committee Bureau* (杭州市科學技術局) Hangzhou City Finance Bureau* (杭州市財政局) Hangzhou City Economic Committee* (杭州市經濟委員會) Hangzhou City Quality and Technology Supervision Bureau* (杭州市質量技術監督局) Hangzhou City People's Government State-owned Assets Supervision and Administration Commission* (杭州市人民政府國有資產監督管理委員會) Hangzhou City Federation of Trade Union* (杭州市總工會)	Not applicable

Date of grant	Award/Certification	Issuing authority/ institution	Valid period
2008	Hangzhou City Industrial Enterprise Informatisation Application Demonstration Enterprise* (杭州市工業企業信息化應用示範企業)	Hangzhou City Industrial Enterprise Informatisation Application Promotion Work Leading Group* (杭州市工業企業資訊化應用推進工作領導小組)	Not applicable
2008	Provincial High-tech Enterprise Research and Development Center* (省級高新技術企業研究開發中心)	Zhengjiang Province Science and Technology Department* (浙江省科學技術廳)	Not applicable

Note: Our Group is currently in the process of preparing to apply for renewal of the certificate. As advised by our PRC Legal Advisers, our Group fulfills all the conditions for the renewal of the certificate on qualified High and New Technology Enterprise. Examples of such conditions such as establishment of over one year, innovation ability and no major safety, quality incidents or serious environmental violations in the year immediately before applying.

COMPETITION

According to the Industry Report, the market concentration of the PRC decorative printing materials products industry is relatively low. In the PRC, there are a large number of decorative printing materials enterprises with relatively small scale. In 2014, Lin'an City, one of the bases of the PRC decorative printing materials products industry, recorded production and sales volume of decorative printing materials of approximately 307,000 tonnes, accounting for approximately 39.0% of the total sales in the PRC, in which there were only seven enterprises with over RMB100 million of sales. In 2015, Lin'an City recorded production and sales volume of decorative printing materials of approximately 318,000 tonnes, accounting for approximately 40.0% of the total production and sales volume in the PRC. According to the Industry Report, we captured approximately 1.6%, 1.7% and 1.6% of the PRC decorative paper market for three years ended 31 December 2016 in terms of sales volume. For details of our competitive landscape, please refer to the section headed "Industry Overview" in this prospectus.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered eight trademarks, three innovation patents, 16 utility models patents and 32 designs patents in the PRC and three trademarks in Hong Kong. We had not experienced any infringement of our intellectual property rights that has had a material impact on our Group during the Track Record Period and up to the Latest Practicable Date.

Further details of the intellectual property rights of our Group are set out under the section headed "Statutory and General Information — B. Intellectual Property Rights of Our Group" in Appendix V to this prospectus. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any intellectual property right infringement that had a material impact on us and we were not involved in any litigation involving infringement of intellectual property rights.

EMPLOYEES

As at the Latest Practicable Date, we employed a total of 328 employees, a breakdown of which by function is set out as follows:

	Number of our employees
Management	4
Risk Management	2
Planning and warehouse	19
Administration/ Human Resources	33
Finance	11
Marketing	11
Sales	30
Production	184
Procurement	3
Research and Development	15
Quality Control	16
Total	328

Relationship with employees

Our Directors believe that we maintain good working relationship with our employees. Our Directors confirm that we have not encountered any material difficulty in recruitment and retention of staff for our operation or experienced any material disruption in our operation as a result of labour disputes since the establishment of our business.

Employee Training

We place strong emphasis on the development and training of our employees. Induction courses, training programs and safety courses as to our products, production process and technology, occupational safety and fire control are conducted regularly. Please refer to the subsection headed "Labour, Occupational Safety and Health Measures" in this section for further details.

Staff benefits

In compliance with applicable statutory requirements in the PRC and existing requirements of the local government in the PRC, our Group participates in social security programmes and housing provident fund for our employees. Our Directors confirm that we had settled all social insurance and housing provident fund attributable by us during the Track Record Period. Such social insurance included basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance.

LABOUR, OCCUPATIONAL SAFETY AND HEALTH MEASURES

Our business and operations in the PRC are subject to various labour and safety laws and regulations in the PRC, which include the Labour Law of the PRC, the Labour Contract Law, and the Social Insurance Law. Please refer to the section headed "Regulatory Overview" of this prospectus for further details.

We place emphasis on the health and safety of our employees in our production facilities, especially when our production process involves highly flammable materials such as base paper and ink. We were awarded GB/T28001-2011/OHSAS 18001:2007 certification, an internationally applied standard for occupational health and safety management systems. As at the Latest Practicable Date, our environment and safety department consisted of 11 personnel to devise and implement our environmental and safety policy. Various measures have been implemented to ensure safe production process, including the formulation of production safety measures and holding regular assemblies for our staff. For new employees, we provide various safety-related training to them which cover our safety system and measures. Warning notices are placed in highly dangerous places to remind our employees to exercise extra caution.

We have a set of procedures to handle work place incidents. First, witnesses of accidents should immediately report to their team leaders who will then report to the administrative department, which will follow up with the injured employee. An accident report would be compiled within seven days after investigations into the factual circumstances and causes of the accidents, the contents of which shall include, among other things, photos of the scene of the accidents and detailed description of the accidents by the witnesses and the injured employees.

As advised by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC regulatory requirements on workplace safety and did not have any incidents or complaints related to workplace safety which had materially and adversely affected our operations.

ENVIRONMENTAL PROTECTION

We are subject to certain laws and regulations in relation to environment protection. Please refer to the section headed "Regulatory Overview" of this prospectus for further information about these laws and regulations.

Our production process involves the handling and disposal of pollutants and the use of hazardous chemicals. The pollutants we generate and discharge in the course of our production include waste water and air pollutants. As we are subject to PRC environmental laws and regulations, we have implemented environmental protection system in compliance with the relevant PRC laws and regulations.

Our environmental protection system includes the following:

- Dust removal system — removing the dust in the flue gas produced from our boiler;

- NOx desulfurisation system — removing chemical compounds including SO, SO_2, NO_3 emitted from coal combustion, reducing emissions of acidic substances;

- Solvent recovery device — collecting toluene, xylene and other volatile organic gas produced during the production of finish foil and PVC decorative film products, which will undergo a condensation and separation process, following which it is recycled as a liquid mixed solvent and can be used as raw material for our production;

- Treatment of sewage water — processing sewage water produced as a result of oil film products ink used in our production process through bleaching, precipitation, pressure filtration and biological treatment; processing sewage water containing nickel, chromium and copper ions, and through precipitation, the metal ions can be removed;

- Collection and treatment of exhaust gas — collecting exhaust gas which contains formaldehyde produced from the impregnating lines and through spray absorption, such formaldehyde is removed and the water produced will be sent to our sewage treatment station;

- Collection of acidic gas — collecting acidic gas and after spraying, which neutralises the gas through the use of sodium hydroxide, the gas is recycled and used again; and

- Keeping of heavy metal filter mud — keeping heavy metal filter mud and after it has reached a certain amount, we send the mud to qualified recycling companies approved by the relevant environmental protection department, in order to prevent secondary pollution incidents.

ISO 14001:2015 specifies requirements for an environmental management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects. We have established a comprehensive ISO standards compliance process policy to ensure strict adherence to the ISO standards in every production process. The policy has been devised according to the requirements with guidance for use published by the International Organisation for Standardisation. It lays out the steps and measures which are required to be taken and allocates these measures to different departments. We believe that the ISO standards compliance process is built upon inter-departmental efforts.

A manager has been designated with the role of implementing the policy and reporting to the executive Directors on the implementation progress and results. He is also responsible for devising improvement plans and communicating to external parties in relation to environmental issues. To ensure the ongoing compliance with the requirements of the ISO standards, internal control reviews are conducted on our operations against the policy to discover non-compliance and carry out remedial measures accordingly.

Our costs incurred for the compliance with the applicable environmental regulations and laws amounted to approximately RMB255,000, RMB204,000 and RMB240,000 for the three years ended 31 December 2016, respectively. We will continue to ensure compliance with the applicable environmental regulations and laws from time to time in the future, and we expect annual cost for compliance with the applicable environmental laws and regulations for the year ending 31 December 2017 will be approximately RMB240,000. In the event that there is a material change in our production process or types of products, the environmental impacts arising from our operations will be assessed to determine if any additional measures needs to be taken to ensure compliance with applicable environmental laws and regulations.

INSURANCE COVERAGE

We maintain property insurance and mandatory accident liability insurance policies with insurance companies covering the machinery and vehicles used in our operations. We do not maintain product liability insurance, business interruption insurance or third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations. These insurance policies are not mandatory under the PRC laws. We believe our insurance coverage is consistent with the market practice in the PRC. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material insurance claims.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES, RUSSIA AND EGYPT

The U.S., the E.U., Australia and the U.N., have comprehensive or broad economic sanctions targeting the Sanctioned Countries. As advised by our International Sanctions Legal Advisers, Russia and Egypt are not subject to comprehensive sanctions adopted by the U.S., the E.U., Australia or the U.N.. International sanctions targeting Russia and Egypt, like those targeting Afghanistan and Belarus, prohibit or otherwise restrict certain specific types of transactions and activities involving Sanctioned Persons.

Sales in the Sanctioned Countries, Russia and Egypt

During the Track Record Period, we had products sales to customers or consignees in (i) certain Sanctioned Countries, namely, Iran, Syria, Belarus, Afghanistan and Ukraine, and (ii) Russia and Egypt. We ceased such sales to the Sanctioned Countries, Russia and Egypt as from September 2016. The amount of revenue generated from sales to Iran, Syria, Belarus, Afghanistan and Ukraine, for the three years ended 31 December 2016 represented approximately 1.8%, 2.0% and 0.4% of our total revenue, respectively. As advised by our International Sanctions Legal Advisers, our Group's sales to customers or consignees in Iran, Syria, Belarus, Afghanistan, Ukraine, Russia and Egypt, during the Track Record Period do not constitute violations of any International Sanctions and do not implicate relevant sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors.

In providing their advice, our International Sanctions Legal Advisers:

a) reviewed commercial invoices and contractual documentation provided by us that evidenced our sales transactions to customers located in Iran, Syria, Belarus, Afghanistan, Ukraine, Russia and Egypt during the Track Record Period;

b) screened the list of customers in Iran, Syria, Belarus, Afghanistan, Ukraine, Russia and Egypt provided by us to whom sales have been made during the Track Record Period against the consolidated lists of sanctioned targets maintained by the U.S., the E.U., the U.N. and Australia, and confirmed that none of these customers are listed as a designated target under the U.S.'s, the E.U.'s, the U.N.'s and Australia's sanctions;

c) instructed a third party screening provider to screen the list provided by us of all of the Company's customers during the Track Record Period against the consolidated lists of sanctioned targets maintained by the U.S., the E.U., the U.N. and Australia and confirmed that none of these customers are listed as a designated target under the U.S.'s, the E.U.'s, the U.N.'s and Australia's sanctions; and

d) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of the Group) conducted any business dealing in or with any other countries or persons that are subject to International Sanctions during the Track Record Period.

In relation to our sales to customers or consignees in Iran, Syria, Belarus, Afghanistan, Ukraine, Russia and Egypt during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the customers or consignees in these countries are specifically identified on the Specially Designated Nationals and Blocked Entities list maintained by the OFAC or other restricted parties lists maintained by the E.U., Australia and the U.N. and therefore would not be deemed as sanctioned targets. Our sales do not involve industries or sectors that are currently subject to specific U.S., E.U., Australia or U.N. sanctions and therefore are not deemed to be prohibited activities under International Sanctions.

We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the E.U., Australia, the U.N. or Hong Kong.

As advised by our PRC Legal Advisers, the goods exported by our Group to customers and consignees in Iran, Syria, Belarus, Afghanistan, Ukraine, Russia and Egypt fall outside the scope of the goods prohibited for export by the PRC government authorities under the relevant PRC laws and regulations. Our PRC Legal Advisers advised that our Group had not violated any PRC laws or regulations in relation to the PRC export bans.

The Sole Sponsor, based on the above advice from our PRC Legal Adviser and International Sanctions Legal Advisers, is of the view that the risk of sanctions violations as a result of our Group's sales to Sanctioned Countries, Russia and Egypt during the Track Record Period is remote.

Internal control measures to monitor sanction risks and our undertakings

We ceased our sales to the Sanctioned Countries, Russia and Egypt starting from September 2016. We have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and measures to protect the interests of our Group and our Shareholders. The following measures had been effectively implemented as at the date of this prospectus:

a) we have set up a risk management committee, comprising our senior management, whose responsibilities include, among others, monitoring our exposure to International Sanctions and our implementation of the related internal control procedures;

b) we will evaluate International Sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries or with Sanctioned Persons; and

c) If necessary, external legal advisers will provide training programmes relating to International Sanctions to the risk management committee and relevant Group employees to assist them in evaluating International Sanctions risks in our Group's day-to-day operations.

We undertake to the Stock Exchange that we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of Sanctioned Countries or Sanctioned Persons. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of being sanctioned. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders.

After the Listing, we will disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group may enter into in any Sanctioned Country or with any Sanctioned Person(s) would put our Group or our investors at risk of violating or becoming the target of International Sanctions, and to disclose in our annual reports and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in any Sanctioned Country and/or with any Sanctioned Person(s) and our business intention relating to activities with any Sanctioned Country and/or with any Sanctioned Person(s).

INTERNAL CONTROL

Our Directors are responsible for monitoring our internal control system and reviewing its effectiveness. Our independent internal control consultant performed an assessment on our internal control systems including reviewing guidelines and policies which are implemented through our operational process. Save as disclosed in the paragraph headed "Non-compliance Incidents" in this section, no material deficiency and ineffectiveness on the internal control system had been identified by our internal control consultant.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Our Directors believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted corporate governance measures and risk management measures in various aspects of our business operations such as financial reporting, legal compliance, information system and premises safety and human resources management.

Corporate governance

In terms of corporate governance, our Group has, *inter alia*, (i) designated our compliance officer to assist our Board to oversee and monitor due compliance with laws, rules and regulations applicable to our Group; (ii) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to our Board and our Shareholders; (iii) established an audit committee to assist our Board in providing independent view on the effectiveness of our financial reporting process and internal control and risk management systems, and overseeing the audit process; (iv) appointed Messis Capital Limited as our compliance adviser in accordance with the applicable GEM Listing Rules; and (v) provided (and will continue to provide) our Directors and senior management with training, development programs on applicable legal and regulatory requirements from time to time.

Risk management

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objective. The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, *inter alia*, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses.

The risk management process of our Group will involve, *inter alia*, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

We are also exposed to market risks from changes in market rates and prices, such as interest rates, credit, foreign exchange and liquidity. Please refer to the paragraph headed "Financial and capital risk management" under the section headed "Financial Information" in this prospectus.

Based on the above, our Directors are of the view that our Company has adequate corporate governance measures and risk management procedures in place for the business operations of our Group.

PROPERTIES AND FACILITIES

Land

As at the Latest Practicable Date, we owned a total of five parcels of land with a total site area of 146,522 sq.m. in Lin'an City, Zhejiang Province, the PRC. The land use rights we have acquired are generally valid for a period of fifty years starting from the date of grant. Set out below is a summary of our owned land as at the Latest Practicable Date:

Location	**Usage**	**Certificate No.**	**Gross Size** *(approximate/ sq.m.)*	**Expiry Date**
No. 8 Shangguafan Road Jinnan sub-district Lin'an City, Hangzhou, the PRC	Construction Land	Linguoyong (2013) No. 00191	12,912.4	29 December 2054
		Linguoyong (2013) No. 00192	34,982.0	22 October 2051
Yangdai Village, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	Construction Land	Linguoyong (2013) No. 03685	26,274.0	31 July 2063
		Linguoyong (2014) No. 02043	15,241.0	26 April 2064
No. 55 Shangyang Road, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	Construction Land	Linguoyong (2014) No. 06307	57,113.0	29 July 2061

As at the Latest Practicable Date, we leased in total two parcels of collectively-owned land and one parcel of state owned land, respectively. Set out below is a summary of our leased lands as at the Latest Practicable Date:

Location	Particulars of occupancy/ purpose	Landlord	Gross Size (approximate/ sq.m)	Duration of lease	Rental Fee
Yangdai Village	Collectively-owned agricultural land, reserved land for future development	Yangdai villagers' committee, Jinnan street, Lin'an city	25,400.0	From 19 September 2010 to the date of the completion of the land acquisition	Included in the prepaid compensation for the land acquisition
Shangpan Village	Collectively-owned agricultural land, reserved land for future development	Shangpan villagers' committee, Jin'nan street, Lin'an city	38,400.0	From 23 December 2010 to the date of the completion of the land acquisition	Included in the prepaid compensation for the land acquisition
Shangpan Village	State-owned construction land, used for the factory's road and ancillary purpose	Lin'an Green Environmental Protection Power Company Limited (臨安綠能環保發電有限公司)	1,519.1	From 1 January 2015 to 31 December 2034	None (Note)

Note Lin'an Green Environmental Protection Power Company Limited ("**Lin'an Green**") entered into a lease agreement with Shenglong Decoration on 28 December 2014, pursuant to which it was agreed that Shenglong Decoration would lease its owned land (certificate no. Linguoyong (2014) No. 06307) to Lin'an Green and the duration of the lease would be from 1 January 2015 to 31 December 2034, both parties further agreed that the rent fee under this lease agreement would offset the rent fee in respect of the lease land in Shangpan village.

As advised by our PRC Legal Advisers, the tenancy agreements with respect to our leased two parcels of collectively-owned lands are valid and legally binding.

During the Track Record Period, we did not have any production activities at our Dongshan Factory and it was leased to two Independent Third Parties at an annual rent of approximately RMB1.0 million, RMB1.0 million and RMB0.4 million for the three years ended 31 December 2016, respectively. Upon expiry of the leases, the Dongshan Factory was sold to another Independent Third Party on 13 July 2016 at a consideration of RMB10,176,760 based on a valuation conducted in the same month.

On 25 June 2015, we entered into two lease agreements with Zhejiang Province Lin'an City People's Government Office of Jinnan Jie Dao (浙江省臨安市人民政府錦南街道辦事處) ("**The Government of Jinnan Jie Dao**") and each of the local villagers committee in Shangpan village (上畔村) and Yangdai village (楊岱村), respectively, in relation to various parcels of land situated right next to our Yangdai Factory. The above lease arrangement was made due to the fact that the lands in concern are collective use land by nature, our Group has entered into a letter of intent with the Government of Jinna Jie Dao pursuant to which the Government of Jinna Jie Dao shall carry out requisition of collective use land and we shall pay compensation for the requisition. The leases will continue until completion of the requisition and conversion of agricultural land use procedures.

As at the Latest Practicable Date, we have paid a total land compensation of RMB4.9 million for the requisition. The Government of Jinnan Jie Dao has undertaken that we are entitled to a full refund in respect of the relevant land compensation amounts if the land use rights cannot be obtained by us. The estimated total land compensation for the requisition of the collectively-owned land will be RMB25.9 million. In order to clarify the status of the conversion of the agriculture land use procedures of our lease collectively-owned land, we and our PRC Legal Advisers consulted with a deputy director of Lin'an Land Resources Bureau, which is, as advised by our PRC Legal Advisers, a competent local authority in charge of the conversion of the agriculture land in Lin'an City, the deputy director indicated that the application for the conversion of the agriculture land with regard to our leased collectively-owned land should be submitted by the Government of Jinnan Jie Dao, and Lin'an Land Resources Bureau would compile the relevant planning indicator according to the application, then report it to each level of its superior departments and get approved by Zhejiang Province People's Government and there is no specific timeframe for the approval procedures.

Furthermore, the deputy director also stated that our leased collectively-owned land did not include in their current planning indicator and they had not received the application until our consultation. However, the Government of Jinnan Jie Dao, as advised by our PRC Legal Advisors, a competent local authority in charge of the application for the conversion of the local agriculture land, has confirmed that they proposed to submit such application in respect of the relevant leased collective land on which defective properties were built in 2017. After the completion of the conversion of agriculture land use procedures, we expect to obtain the right to use the state-owned land by way of bidding within 18 months. For details, please refer to the paragraph headed "Group II — Property interest leased by the Group in the PRC" in Appendix III to the prospectus. Our Directors confirmed that our expansion plan does not require to use the collectively-owned land and we will not have any operations on the collectively-owned land that will breach the relevant laws and regulations before it obtains the relevant land use right. However, as the local land management department may not approve the application for the conversion, no assurance can be given that we could obtain the right to use such land. Even if the application is approved, we may not be able to reliably estimate how much time the process will take for the completion of such procedures. Please refer to the paragraph headed "We may not be able to use our leased collectively-owned land because of the failure of the completion of the conversion of agriculture land use procedures" under the section headed "Risk Factors" in this prospectus.

Buildings

As at the Latest Practicable Date, we owned buildings in our Shangguafan Factory and our Yangdai Factory with an aggregate floor area of approximately 36,833.1 sq.m., which are mainly used for production, storage, office, staff quarters and ancillary purposes. Set out below is a summary of our owned buildings in Shangguafan Factory and Yangdai Factory, respectively:

Shangguafan Factory:

Location (Note 1)	**Total Gross Floor Area Usage** *(approximate/sq.m.)*
Units 1 to 15 and Room 101, Unit 16, No. 8 Shangguafan, Jinnan Street, Lin'an City, Zhejiang Province, the PRC	20,745.0

Note 1: The usage for the building on Unit 14, No. 8 Shangguafan, Jinnan Street and Unit 15, No. 8 Shangguafan, Jinnan Street is guardroom and generator, respectively, the usage of the rest of buildings in Shangguafan Factory is industrial use.

Yangdai Factory:

Location (Note 2)	**Total Gross Floor Area Usage** *(approximate/sq.m.)*
Units 1 to 6, No. 55 Shangyang Road, Jinnan Street, Lin'an City, Zhejiang Province, the PRC	16,088.1

Note 2: The usage for the building on Unit 6, No. 55 Shangyang Road, Jinnan Street is warehouse. The usage of the rest of buildings in Yangdai Factory is industrial use.

During the Track Record Period, we have certain non-compliance incidents in relation to the properties below. For details, please refer to the paragraph headed "Non-Compliance Incidents" below in this section.

Location	**Usage**	**Total Gross Floor Area Usage** *(approximate/sq.m.)*
Shangguafan Factory	Warehouse Finished goods warehouse Materials warehouse Oil-fired boiler house Water pump house Others	3,744.0

Location	Usage	Total Gross Floor Area Usage (approximate/sq.m.)
Yangdai Factory	Switch board room Canteen Carpenting workshop Guard room Boiler room Inspection room Waste paper room Air compressor room Others	1,915.0

LEGAL COMPLIANCE

Save as disclosed below in the paragraph headed "Non-Compliance Incidents", there were no material legal proceedings, regulatory inquiries or investigations made or pending or threatened against any member of our Group. Members of our Group may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with suppliers or customers, labour disputes or infringement of intellectual property rights.

REGULATORY AND LEGAL MATTERS

Licenses and Permits

As advised by our PRC Legal Advisers, our Group has obtained all approvals, permits, consents, licenses and registrations required for our business and operations and all of them are in full force and effect. Since the establishment of each of Shenglong Decoration, Splendor Decoration and Jiayou Art and up to the Latest Practicable Date, we have not experienced any failure in applying for the renewal of our respective operation licenses.

Our Group confirmed that we have obtained all relevant approvals and permits and have materially complied with all relevant laws and regulations for our business in overseas markets.

NON-COMPLIANCE INCIDENTS

Our Group has not fully complied with certain PRC laws and regulations. Details of the relevant non-compliance events are set out as follows:

No.	Non-compliance incidents	Reasons	Legal consequences and potential maximum penalties and other financial losses	Corrective actions and latest status	Preventive measures
1.	Shenglong Decoration has failed to obtain the project planning and construction permit* (建設工程規劃許可) for the following self-constructed ancillary buildings on its owned land/ leased state-owned land: **Location** / **Usage** / **Approximate Gross Floor Area Usage** ***(sq.m.)*** Shangguafan Factory / warehouse (Note) / 1,023.0 finished goods warehouse / 2,355.0 materials warehouse / 120.0 oil-fired boiler house / 120.0 water pump house / 40.0 others / 86.0 Yangdai Factory / guard room / 60.0 boiler room / 410.0 air compressor room / 50.0 inspection room / 115.0 others / 80.0	The non-compliance was due to: (i) lack of relevant knowledge and experience of our staff responsible for the building of these ancillary buildings at the relevant time with the relevant regulatory requirements; and (ii) reliance on the constructor of the ancillary buildings who did not advise us about the application procedures.	The ancillary buildings were not our core production site. As advised by our PRC Legal Advisers, the urban and rural planning department* (城鄉規劃主管部門) may demand us to assume the following legal responsibilities for these ancillary buildings: (i) to make corrections by a deadline and a fine of a range of 5.0% to 10.0% of the consideration for the total construction cost of approximately RMB8.18 million; and (ii) if corrective measure could not be made to the relevant ancillary buildings, Shenglong Decoration may be ordered to demolish such buildings and if they could not be demolished, the ancillary buildings and the illegal income shall be confiscated, and a fine of not more than 10.0% of the consideration for the total construction cost of approximately RMB8.18 million. Our PRC Legal Advisers advised that (i) although relevant authorities may exercise discretion to impose a fine, the possibility of us being fined is small. As advised by our PRC Legal Advisers, these self-constructed ancillary buildings on its owned land/leased state-owned land would not be allowed from being transferred or being mortgaged.	As at the Latest Practicable Date, our Directors confirm that we ceased all operations in these ancillary buildings and relocated all goods or office supplies in the finished goods warehouse, the materials warehouse, the air compressor room and the inspection room, respectively, before 31 May 2017, we had also demolished the oil-fired boiler house, the guard room and the boiler room, respectively, in 2016. Our Directors confirm that if relevant government authorities order us to demolish these ancillary buildings, we will demolish such buildings accordingly. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any fines or request of demolishing in respect of these ancillary buildings. The total reconstruction costs and the estimated demolishment cost to be incurred in respect of our above corrective actions will be approximately RMB270,000 and RMB77,400, respectively, and no relocation expense will be incurred. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not have any material incidents related to workplace safety in the self-constructed ancillary buildings. Our Directors are of the view that these ancillary buildings are not material to our operation and in the event of demolishment and reconstruction, our Group's operation and production will not be adversely affected.	When there is a need for our Company to construct buildings, the general manager will prepare a construction work plan and checklist which shall include a construction timetable, reviewing the land usage, obtaining the planning permit and the construction permit, completion and acceptance record and the building ownership certificate, as well as arranging for fire inspection. The construction plan will be submitted to the Board for approval. The Board shall ensure that all laws and regulations in force can be complied with before granting approval and when considering necessary, our Board would seek relevant PRC legal advice from our PRC Legal Advisers. Upon approval by the Board, a construction team will be formed to carry out different responsibilities as set out in the construction plan accordingly and the general manager will supervise the construction team. The construction team is required to report the progress to the Board and submit the checklist and all relevant permits/ certificates obtained to the Board for review and confirmation. After review and confirmation by the Board, the relevant legal documents such as certificates to land use rights and building ownership certificates shall be passed to the general manager for keeping. We have designated our executive Director, Mr. Yu, to monitor the implementation of the above preventive measure since September 2016.

No.	Non-compliance incidents	Reasons	Legal consequences and potential maximum penalties and other financial losses	Corrective actions and latest status	Preventive measures
2.	Shenglong Decoration has failed to obtain the project planning and construction permit for constructing ancillary buildings, including a switch board room, a canteen, a waste paper room and a carpenting workshop with gross floor area of 149.0 sq.m., 687.0 sq.m., 214.0 sq.m. and 150.0 sq.m., respectively, located on a piece of the leased collective land.	The non-compliance was due to: (i) lack of relevant knowledge and experience of our staff responsible for the building of these ancillary buildings at the relevant time with the relevant regulatory requirements; and (ii) reliance on the constructor of the ancillary buildings who did not advise us about the application procedures.	As advised by our PRC Legal Advisers, due to unauthorised change of agricultural land to construction land, Shenglong Decoration may be ordered to demolish the ancillary buildings on the collective land by a deadline; or such ancillary buildings may be confiscated; or Shenglong Decoration may be imposed a fine of a range of 5% to 20% of the illegal income. As such ancillary buildings did not generate income, our PRC Legal Advisers advised that the possibility of us being fined is small, but the relevant authorities may still exercise discretion to impose a fine. As advised by our PRC Legal Advisers, these ancillary buildings would not be allowed from being transferred or being mortgaged.	As at the Latest Practicable Date, we did not cease the operation of our existing switch board room, because we had applied the approval for constructing a new switch board room and obtained the construction land use permit on 17 February 2017, and after obtaining other permits as required for the construction, we will start constructing. The current switch board room will be replaced by the new switch board room as expected to be within one year. The total estimated reconstruction cost of the switch board room will be approximately RMB150,000 and the estimated demolishment cost will be approximately RMB10,900. We had ceased using the waste paper room and the carpenting workshop and we completed the relocation of facilities out of the aforesaid buildings before 31 May 2017. The local land management department has surveyed and mapped the relevant leased collective land where we constructed the canteen, the waste paper room and the carpenting workshop, respectively, and they would make a proposal for the agriculture land transference of this parcel of the leased collective land and submit the proposal to its superior land authority for approval. We expect to obtain the relevant construction permit for our current canteen, the waste paper room and the carpenting workshop, respectively after the completion of the conversion of agriculture land use procedures. Our Directors confirm that if the relevant government authorities order Shenglong Decoration to demolish the ancillary buildings, our Group shall demolish such buildings accordingly. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not receive any fines or request of demolishing in respect of there ancillary buildings. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not have any material incidents related to workplace safety in ancillary buildings. Our Directors are of the view that the ancillary buildings are not material to our operation and in the event of demolishment, our Group's operation and production will not be adversely affected.	We have adopted the preventive measures mentioned in item 1 above.

Note: The two decorative paper printing machines were for manufacturing of the decorative paper and we ceased production in August 2016. For the three years ended 31 December 2016, the amount of revenue derived from the production of these two decorative paper printing machines was approximately RMB14.7 million, RMB6.1 million and RMB4.1 million, accounted for approximately 6.1%. 2.8% and 1.7% of our total revenue, respectively. Such decrease was mainly attributable to the gradual decrease in usage of these two decorative paper printing machines with deteriorating efficiency.

On the basis of the aforesaid measures to continuously improve our Group's corporate governance and to prevent recurrence of non-compliance incidents in the future, our Directors are of the view that our Group has adequate internal control procedures in place. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's internal control measures to avoid recurrence of aforesaid non-compliance issues, our Directors are of the view that these past non-compliance incidents do not affect their suitability to act as directors of a listed issuer and the suitability for listing of our Company under the relevant GEM Listing Rules.

The PRC Legal Advisers have also confirmed that save for the non-compliance incidents disclosed in the sub-section headed "Non-compliance Incidents", our Group (i) has obtained all necessary licences, approvals and permits, where necessary, from competent PRC authorities under the PRC laws and regulations in connection with the Yangdai Factory and Shangguafan Factory; and (ii) has complied with all relevant PRC laws and regulations in respect of the operations in the PRC in material respects during the Track Record Period and up to the Latest Practicable Date.

The Sole Sponsor has reviewed the measures and policies adopted by us to improve our internal control systems and to ensure our compliance with the GEM Listing Rules and the relevant PRC laws and regulations, reviewed the PRC legal opinions issued by our PRC Legal Advisers and discussed further with our PRC Legal Advisers, in particular, regarding the nature and consequences of those non-compliance issues. In addition, the Sole Sponsor noted that our Group has engaged an independent internal control consultant to perform an assessment of our Group's internal control system at the corporate level and the key operating cycles, including the procedures of corporate level controls, financial reporting and disclosures controls and business level control and the Sole Sponsor has further discussed with the internal control consultant on the progress of the implementation of the internal control measures adopted by our Group. The Sole Sponsor also noted that our Group had engaged legal advisers to provide appropriate legal and compliance guidance and advice to our Group, our Directors and certain senior management had participated in the training sessions provided to them by our Company's legal advisers to Hong Kong laws and all our Directors and company secretaries had provided written confirmations to the Sole Sponsor that they had reviewed the materials set out in our Directors' training pack provided to them by our Company's legal advisers as to Hong Kong laws and understand their obligations, duties and responsibilities as executive Director / independent non-executive Director / company secretary of a listed company. Based on these reviews and discussions, the Sole Sponsor concurs with our Directors' view, that we have adequate and effective internal control procedures in place with regard to our operation needs and to fulfill the requirements under the GEM Listing Rules.

OVERVIEW

Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 47.99% by Bright Commerce. Bright Commerce, the principal business of which is investment holding and had not commenced any substantive business activities as of the Latest Practicable Date, is wholly-owned by Mr. Sheng.

Since Bright Commerce and Mr. Sheng will individually be entitled to exercise control of more than 30.0% of the entire issued share capital of our Company immediately following the Listing, Bright Commerce and Mr. Sheng will be regarded as our Controlling Shareholders. For more information relating to Mr. Sheng, please see the section headed "Directors and senior management" in this prospectus.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Director and our Substantial Shareholders has confirmed that as of the Latest Practicable Date, neither he/it nor any of his/its respective close associates (excluding our Group) was interested, involved or engaged, or was likely to be interested, involved or engaged, directly or indirectly, in any business, which would compete or would likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on the Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

(i) Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group. We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Each of Mr. Sheng, Ms. Sheng, Mr. Fang and Mr. Yu is an executive Director. Mr. Sheng is the chairman and the chief executive officer of the Company. Mr. Sheng, who is the sole director of Bright Commerce, is the only overlapping director between our Group and our Controlling Shareholders. Save for Mr. Sheng, none of our Directors nor members of senior management of our Company holds any directorship or position in Bright Commerce, our Controlling Shareholder.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. Our independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Our Directors are of the view that our Board and the members of the senior management of our Company are capable of managing our Group's business independently from our Controlling Shareholders.

(ii) **Operational Independence**

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group does not share our operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of our business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has our own independent access to customers and suppliers.

Our Directors confirmed that our Group has no plan to enter into any transaction with our connected persons and their close associates after the Listing that will affect our operational independence.

(iii) **Financial Independence**

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payment and we make financial decision according to our own business needs. Our accounting and finance personnel will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

The short-term bank borrowings of approximately RMB18.5 million, RMB33.1 million and 14.2 million as at 31 December 2014, 2015 and 2016 were secured by certain buildings of Longsheng Investment, a company controlled by Mr. Sheng and therefore, a connected person of our Group. The short-term bank borrowings of approximately RMB11.1 million, RMB25.9 million and RMB28.7 million as at 31 December 2014, 2015 and 2016 were guaranteed by Mr. Sheng. As at the Latest Practicable Date, both of the two banks, which had provided uncommitted banking facilities to our Group, had provided in-principle consents to release and replace the personal guarantees given by Mr. Sheng and legal charge over certain buildings owned by Longsheng Investment by corporate guarantee given by our Company upon Listing.

In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders. Hence our Directors are of the view that we have no financial dependence on our Controlling Shareholders.

(iv) **Independence of major suppliers**

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

(v) **Independence of major customers**

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) on 22 June 2017, under which each of our Controlling Shareholders irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for each of its subsidiaries) that:

(a) each of our Controlling Shareholders shall not, and shall procure each of his/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently engaged by our Group (the "**Restricted Business**"). Each of our Controlling Shareholders has represented and warranted to our Group that neither he/it nor any of his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;

(b) if each of our Controlling Shareholders and/or any of his/its associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than seven days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates; and

(c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 business days (the "**30-day Offering Period**") of receipt of notice from our Controlling Shareholders, the Controlling Shareholders and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. Our Controlling Shareholders also agree to extend the 30 business days to a maximum of 60 business days if our Company requires so by giving a written notice to our Controlling Shareholders within the 30-day Offering Period.

In addition, upon Listing, each of our Controlling Shareholders has also undertaken:

(i) in favour of our Company to provide our Company and our Directors (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;

(ii) to provide to our Company, after the end of each financial year of our Company, a declaration made by each of our Controlling Shareholders which shall state whether or not he/it has during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, and such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

(iii) to our Group to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of our Controlling Shareholders and his/its associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of our Controlling Shareholders has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

(i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;

(ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates (excluding our Group);

(iii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/her/its capacity as our Controlling Shareholder for any purposes; and

(iv) he/it will procure his/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings (i) and (iv) are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunities, regardless of value, which has been offered or made available to our Group, provided also that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of our independent non-executive Directors, confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant associate of our Controlling Shareholder(s) invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholder(s) decides to be involved, engaged, or participated in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as possible.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earlier of:

(i) the date on which such Controlling Shareholder and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30.0% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control the composition of a majority of the Board or there is at least one other independent Shareholder other than our Controlling Shareholders and his/its respective close associates holding more Shares than the Controlling Shareholders and his/its respective close associates taken together, and none of our Controlling Shareholders, and their respective close associates, remain as a director or senior management of any member of our Group; or

(ii) the date on which the Shares cease to be listed and traded on GEM or other recognised stock exchange.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the existing and potential conflict of interests between our Group and our Controlling Shareholders, upon Listing:

(1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by our Controlling Shareholders in respect of the Deed of Non-competition and the appropriate action to be taken by our Company;

(2) our Company will disclose the details and basis of the decisions on the matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity in the annual reports;

(3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Controlling Shareholder(s) or its associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, specifying any conditions to be imposed;

(4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

(5) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautious actions; and

(6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/her/its interests and, where required abstain from voting on the transaction in the relevant board meeting and/or general meeting and not be counted in the quorum where required.

NON-DISPOSAL UNDERTAKINGS

Each of our Controlling Shareholders and substantial Shareholder has given certain undertakings in respect of the Shares to the Stock Exchange, our Company, the Sole Sponsor and the Joint Bookrunners, details of which are set out under paragraphs headed "Undertakings to the Stock Exchange — Undertakings by our Controlling Shareholders" and "Undertakings to the Sole Sponsor and the Joint Bookrunners — Undertakings by our Controlling Shareholders" under the section headed "Underwriting" in this prospectus.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

(1) the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except in certain circumstances provided by the Articles;

(2) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;

(3) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition; (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

(4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;

(5) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company;

(6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and

(7) our Company has appointed Messis Capital Limited as the compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules. Please refer to the section headed "Directors and Senior Management — Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Sheng Yingming (盛英明)	53	July 1993	25 July 2013	Executive Director, chief executive officer, chairman of the Board	Overall management, strategic development and major decision-making of our Group	Father of Ms. Sheng and father in law of Mr. Fang
Ms. Sheng Sainan (盛賽男)	29	October 2013	23 August 2016	Executive Director	Overall management of financial of our Group	Spouse of Mr. Fang and daughter of Mr. Sheng
Mr. Fang Xu (方旭)	30	June 2012	23 August 2016	Executive Director	Overseeing the sales and marketing activities, participating in the day-to-day management of our Group's operation of our Group	Spouse of Ms. Sheng and son in law of Mr. Sheng
Mr. Yu Zemin (俞澤民)	57	November 2009	23 August 2016	Executive Director	Overseeing the production and participating in the day-to-day management of our Group's operation	Nil
Mr. Lee Ho Yiu Thomas (李浩堯)	39	June 2017	22 June 2017	Independent non-executive Director	Overseeing the management independently	Nil
Mr. Ma Lingfei (馬靈飛)	58	June 2017	22 June 2017	Independent non-executive Director	Overseeing the management independently	Nil
Ms. Huang Yueyuan (黃月圓)	35	June 2017	22 June2017	Independent non-executive Director	Overseeing the management independently	Nil

The following table sets forth certain information concerning our senior management members:

Name	Age	Date of joining our Group	Date of appointment for the present position	Present position	Principal responsibility
Ms. Lu Miaoling (呂妙玲)	38	January 1998	May 2012	Manager of research and development	Supervision of the research and development department
Mr. Sung Pui Hei (宋棓熹)	32	September 2015	September 2015 August 2016	Chief financial officer Company secretary	Overall finance and accounting management and financial administration and secretarial work of our Group

Executive Directors

Mr. Sheng Yingming (盛英明), aged 53, is the chief executive officer and the chairman of our Board. He founded our Group in July 1993 and has over 20 years of experience in the decorative printing materials industry. Mr. Sheng is responsible for overall management, strategic development and major decision-making of our Group. Mr. Sheng is a Controlling Shareholder. Mr. Sheng graduated from Lin'an Tianmu Junior Middle School* (臨安市天目初級中學)(formerly Ling Long Middle School (*(玲瓏中學)), in the PRC in July 1978. He took courses in international investment, financing and capital operation from September 2007 to September 2008 and obtained the certificate of completion from Zhejiang University* (浙江大學) in the PRC in September 2008. Prior to joining our Group, Mr. Sheng worked at Lin'an Ling Long Silk Factory* (臨安玲瓏絲廠), which was primarily engaged in manufacturing of bedding, as the chief of supply and marketing section, and was primarily responsible for procurement of raw materials, sales of products and maintaining customer relationship, from September 1980 to July 1986. During the period August 1986 to August 1993, he was the chief of supply and marketing section at Lin'an No.2 Paper Mill* (臨安第二造紙廠), which was primarily engaged in manufacturing base papers, decorative papers and plates, and was primarily responsible for the procurement of raw materials, sales of products and updating the latest market trend. He is the father of Ms. Sheng and the father in law of Mr. Fang, both of whom are executive Directors of our Company.

Save as disclosed above, Mr. Sheng had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Ms. Sheng Sainan (盛賽男), aged 29, is responsible for overall management of financial of our Group. She joined our Group in October 2012 as a director of Shenglong Decoration and is responsible for overseeing the financial management of Shenglong Decoration and she has been a deputy manager of the financial department, who was primarily responsible for financial management and the financial accounting, since October 2013. She completed courses in financial management professional accounting option and obtained a diploma of technology from British Columbia Institute of Technology in Canada in July 2013. She is the spouse of Mr. Fang and the daughter of Mr. Sheng, both of whom are executive Directors of our Company.

Save as disclosed above, Ms. Sheng had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Mr. Fang Xu (方旭), aged 30, is responsible for overseeing the sales and marketing activities and participating in the day-to-day management of our Group's operation. He joined our Group in June 2012 as a production assistant, who was primarily responsible for assisting the head of production department in the management of production and has been the vice general manager of Shenglong Decoration since June 2015. Prior to joining our Group, Mr. Fang worked at Hangzhou Shenzhou Digital Co., Ltd,* (杭州神州數碼有限公司), which was an integrated IT services provider, as a technician, and was primarily responsible for design and development of audio and video application systems, from August 2010 to May 2012. Mr. Fang graduated from Hangzhou Dianzi University* (杭州電子科技大學) in the PRC with a degree of bachelor in integrated circuit design and integration system in June 2009. He is the spouse of Ms. Sheng and the son in law of Mr. Sheng, both of whom are executive Directors of our Company.

Save as disclosed above, Mr. Fang had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Mr. Yu Zemin (俞澤民), aged 57, is responsible for overseeing the production and participating in the day-to-day management of our Group's operation. He joined our Group in 2009 as the vice general manager. Mr. Yu graduated from Zhejiang Radio & Television University* (浙江廣播電視大學) in the PRC with a diploma of party and politics cadre management foundation* (黨政管理幹部基礎) in December 1988. Prior to joining our Group, Mr. Yu worked as a ticket staff primarily responsible for management and distribution of food stamps at Lin'an City Chengguan Staple Food Control Office* (臨安市城關糧管所) from December 1976 to March 1978. During the period April 1978 to October 1981, he served in the armed forces of the PRC. From October 1981 to August 2001, he was a section chief primarily responsible for management of the local transactions for certain types of the food at Lin'an City Grain Bureau* (臨安市糧食局). He joined the Lin'an City Development and Reform Bureau the Surveillance of the Commodity Price Substation* (臨安市發展和改革局物價檢查分局) as the chief primarily responsible for supervision and administration of local prices for education and health sectors in September 2001 and retired in January 2007.

Save as disclosed above, Mr. Yu had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Independent Non-executive Directors

Mr. Lee Ho Yiu Thomas (李浩堯), aged 39, is responsible for overseeing the management independently. Mr. Lee obtained his bachelor's degree in accounting and finance from Warwick Business School of University of Warwick in the United Kingdom in July 2000 and graduated from Tsinghua University (清華大學) in the PRC with a second bachelor's degree of Chinese law in July 2008. Mr. Lee obtained a Master Degree of business administration from the University of London in the United Kingdom in August 2016 through long distance learning course. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and member of the Hong Kong Taxation Institute, a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the ISACA. Mr. Lee has extensive experience in accounting and corporate finance. From September 2000 to April 2005, he worked as an assistant manager primarily responsible for statutory audit of Hong Kong listed companies and IPO audit of PRC enterprises and state owned enterprises at KPMG. He joined the Ingrid Millet Ltd, which was a French cosmetics and beauty salon group with retail operations in Hong Kong and China, manufacturing plants in France and China, as the assistant financial controller and was primarily responsible for supervising the management accounting and financial reporting functions of the Group's retail and manufacturing operations in Hong Kong and in China, in April 2005 and left in December 2005. He then served at the Land Registry Trading Fund of Hong Kong Government as the head of management accounts and subscribers' accounts section and was responsible for monitoring and setting up financial control procedures of the land registry, land search and registration system from January 2006 to January 2008. From January 2008 to present, Mr. Lee worked at Lee, Au & Co, an audit professional firm, as a partner is primarily responsible for the overall supervision and management of the firm. In addition to the above, Mr. Lee held directorships in the following listed companies in the past three years:

Period	Name of company	Position
April 2011 — present	Suncorp Technologies Limited, listed on the Stock Exchange (Stock code 1063)	Independent non-executive director, chairman of audit committee
September 2011 — present	Sino Energy International Holdings Group Limited (previously known as Active Group Holdings Limited), listed on the Stock Exchange (Stock code 1096)	Independent non-executive director, chairman of audit committee

Period	Name of company	Position
May 2012 — present	Dongwu Cement International Limited, listed on the Stock Exchange (Stock code 695)	Independent non-executive director, chairman of audit committee
January 2013 — present	Inno-Tech Holdings Limited, listed on GEM of the Stock Exchange (Stock code 8202)	Independent non-executive director, chairman of audit committee

Save as disclosed above, Mr. Lee had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Mr. Ma Lingfei (馬靈飛), aged 58, is primarily responsible for overseeing the management independently. Mr. Ma graduated from Zhejiang A & F University* (浙江農林大學, previously known as Zhengjiang Institute of Forestry, (浙江林學院)) in the PRC majoring in forestry in January 1982. He obtained a doctorate degree in agriculture from Kyoto University in Japan in November 1998.

Mr. Ma is currently a professor, who is engaged in wood science and technology research, at School of Engineering, Zhejiang A & F University, and a deputy director of National Engineering Research Center for Comprehensive Utilisation of Wood Resources* (國家木質資源綜合利用工程技術研究中心) and is primarily engaged in the research of the processing plate. Since January 1982, Mr. Ma worked at Zhejiang A & F University as a lecturer and researcher of wood science and technology research. During the period April 1999 to May 2002, Mr. Ma joined the Institute of Wood Technology, Akita Prefectural University in Japan as a temporary research scientist. From September 2007 to March 2008, he was a foreign visiting scholar* (招聘外國人學者) of Research Institute for Sustainable Humanosphere, Kyoto University in Japan.

Save as disclosed above, Mr. Ma Lingfei had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Ms. Huang Yueyuan (黃月圓), aged 35, is responsible for overseeing the management independently. Ms. Huang obtained her bachelor's degree in horticulture from Zhejiang University* (浙江大學) in the PRC in June 2004 and graduated from Zhejiang University* (浙江大學) in the PRC with a master's degree of horticulture in June 2006. Since May 2006, she joined as a head tutor primarily responsible for the operation of the Zhejiang University EMBA project, at EMBA education center, school of management, Zhejiang University* (浙江大學管理學院EMBA教育中心), and from June 2010 to August 2015, she worked as a deputy director of EMBA education center, school of management, Zhejiang University and was primarily responsible for the promotion of the brand and marketing for Zhejiang University EMBA. From September 2015 to present, Ms. Huang is working at the development and liaison office of Zhejiang University* (浙江大學發展聯絡辦公室) as an assistant manager of the resource development* (資源拓展協理) and a deputy secretary of the association of listed companies of Zhejiang University* (浙江大學上市公司協會副秘書長) and she is primarily responsible for project planning, resource development and organisation of listed companies of the alumni association.

Save as disclosed above, Ms. Huang Yueyuan had not been a director of any other listed company for the three years preceding the Latest Practicable Date.

Save as disclosed above, none of the courses attended by our Directors was distance learning or online courses.

Saved as disclosed therein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders and there was no information relation to our Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him or her that: (i) he or she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he or she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed under the section "C. Disclosure of interest" in Appendix V to this prospectus, he or she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Ms. Lu Miaoling (呂妙玲), aged 38, is the manager of the research and development department and is primarily responsible for supervision of the research and development department and the development of technical projects of our Group since January 2012. Ms. Lu has more than 15 years of experience in research and development in the decorative printing materials industry. She joined our Group in January 1998 as a chemical raw material technician and was responsible for testing the raw material, she then got promoted in October 2000 to be the head of oil ink workshop and was responsible for research and development of the oil ink. During January 2007 to December 2011, she worked as the manager of supply department and was primarily responsible for supervision of procurement and development of potential suppliers. Ms. Lu attended part-time adult higher education (成人高等教育) top-up degree course (專升本課程) majoring in accounting at Zhejiang A & F University* (浙江農林大學) in the PRC and graduated in June 2016.

Mr. Sung Pui Hei (宋棓熹), aged 32, is the chief financial officer and the company secretary of our Group. Mr. Sung is responsible for overall finance and accounting management and financial administration and secretarial work of our Group. He joined our Group in September 2015. Mr. Sung obtained his bachelor's degree in accountancy from the Hong Kong Polytechnic University in Hong Kong in October 2008. Mr. Sung has extensive experience in finance. He joined Ernst & Young Hong Kong in October 2008 as a staff accountant and was promoted to be a senior accountant in October 2010 and he was primarily responsible for statutory audit of Hong Kong listed companies and PRC enterprises. He then became the manager, who was primarily responsible for management of audit engagement including Hong Kong listed companies and IPO projects, staff coaching, counseling and resources management, from October 2013 to July 2015. Mr. Sung is a practicing member of the Hong Kong Institute of Certified Public Accountants.

None of the courses attended by our senior management was distance learning or online courses.

COMPANY SECRETARY

Mr. Sung Pui Hei (宋棓熹) was appointed as our company secretary on 23 August 2016. Please refer to his biography under the paragraph headed "Senior Management" in this section of the prospectus.

COMPLIANCE OFFICER

Mr. Yu Zemin (俞澤民) was appointed as the compliance officer of our Company on 23 August 2016. Please refer his biography under the paragraph headed "Executive Directors" in this section of the prospectus.

COMPLIANCE ADVISER

Our Company has appointed Messis Capital Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Messis Capital Limited assumes responsibility for acting as our Company's compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company on a timely basis in the following circumstances:

(1) before the publication of any regulatory announcement, circular of financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus/the listing documents or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in the listing document; and

(4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

AUDIT COMMITTEE

Our Company has established the Audit Committee on 22 June 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Lee Ho Yiu Thomas, Mr. Ma Lingfei and Ms. Huang Yueyuan. Mr. Lee Ho Yiu Thomas is the chairman of the Audit Committee, who holds the appropriate qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 22 June 2017 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises three members, namely Ms. Huang Yueyuan, Mr. Ma Lingfei and Mr. Lee Ho Yiu Thomas. Ms. Huang Yueyuan is the chairwoman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 22 June 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Ma Lingfei, Mr. Lee Ho Yiu Thomas and Ms. Huang Yueyuan. Mr. Ma Lingfei is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among others, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

DIRECTORS' REMUNERATIONS

The aggregate amount of compensation (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid or payable by us for each of the years ended 31 December 2014, 2015 and 2016 to those persons who have been or were our Directors was approximately RMB0.8 million, RMB1.2 million and RMB1.8 million, respectively.

The five highest paid individuals of our Group for each of the years ended 31 December 2014, 2015 and 2016 included three Directors, namely, Mr. Sheng, Mr. Yu and Mr. Fang and two employees, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the relevant Directors set out above. The aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to our five highest paid individuals for each of the three years ended 31 December 2016 was approximately RMB1.3 million, RMB1.8 million, RMB2.5 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to, or received by, such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

During the Track Record Period, no emoluments were paid by our Group to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, please refer to the paragraph headed "Employees" under the section headed "Business" in this prospectus.

CODE ON CORPORATE GOVERNANCE PRACTICES

We consider that having Mr. Sheng acting as both our chairman and our chief executive officer will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to Appendix 15 of the GEM Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of Mr. Sheng's extensive experience in the industry, personal profile and critical role in our Group and our historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Sheng continues to act as both our chairman and our executive officer upon Listing.

Save as disclosed above, our Directors consider that, as of the Latest Practicable Date, our Company will fully comply with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules from the Listing Date.

SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise). All of our Shareholders have the same voting right per Share.

Authorised Share Capital:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Shares issued and to be issued, fully paid or credited as fully paid:		
100,000,000	Shares in issue immediately before the Share Offer and Capitalisation Issue	1,000,000
275,000,000	Shares to be issued pursuant to the Capitalisation Issue	2,750,000
125,000,000	Shares to be issued pursuant to the Share Offer	1,250,000
Total Shares issued and to be issued immediately following completion of the Share Offer and the Capitalisation Issue:		
500,000,000	Shares	5,000,000

ASSUMPTIONS

The table above assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer is made. It does not take into account any Shares which may be (a) allotted and issued upon exercise of any options which may be granted under the Share Option Scheme; and (b) allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to in the paragraphs headed "General mandate to issue Shares" and "General mandate to repurchase Shares" in this section below.

MINIMUM PUBLIC FLOAT

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25.0% of our Company's issued share capital in the hands of the public.

RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as set out in the above table, and, in particular, will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised under the section headed "Share Option Scheme" as set out in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(b) the aggregate nominal value of share capital of our Company repurchased by our Company pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by laws or the Articles of Association to hold its next annual general meeting; or

(c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further details of this general mandate are set out under the section headed "A. Further information about our Company — 4. Written resolutions of our Shareholders passed on 22 June 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out under the section headed "A. Further information about our Company — 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by laws or Articles of Association to hold its next annual general meeting; or

(c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this repurchase mandate, please refer to the section headed "A. Further information about our Company — 4. Written resolutions of our Shareholders passed on 22 June 2017" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

Our Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as may be authorised by the Stock Exchange) shall elapse between the date of one annual general meeting of our Company and that of the next.

All general meetings other than annual general meetings shall be called extraordinary general meetings. Our Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or company secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If our Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the paragraph headed "2. Articles of Association" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of option that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Bright Commerce	Beneficial Owner	239,950,000	47.99%
Mr. Sheng	Interests in controlled corporation(Note 1)	239,950,000	47.99%
Ms. Chen Deqin	Interest of spouse(Note 2)	239,950,000	47.99%
Mr. Ren	Beneficial owner	101,300,000	20.26%
Ms. Lin Ying	Interest of spouse(Note 3)	101,300,000	20.26%

Note:

1. The issued capital of Bright Commerce is wholly-owned by Mr. Sheng. Therefore, Mr. Sheng is deemed or taken to be interested in all the Shares held by Bright Commerce.

2. Ms. Chen Deqin is the spouse of Mr. Sheng. Accordingly, Ms. Chen Deqin is deemed or taken to be interested in all the Shares which Mr. Sheng is interested.

3. Ms. Lin Ying is the spouse of Mr. Ren. Accordingly, Ms. Lin Ying is deemed or taken to be interested in all the Shares which Mr. Ren is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of option that may be granted under the Share Option Scheme) have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountant's Report included as Appendix I and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs as adopted by the HKICPA.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are principally engaged in the manufacturing and sales of decorative printing materials products. During the Track Record Period, we sold our decorative printing materials products to both overseas and domestic markets. For the three years ended 31 December 2016, our overseas sales captured approximately 58.8%, 69.0% and 65.3% of our revenue, respectively, whereas our domestic sales captured approximately 41.2%, 31.0% and 34.7% of our revenue, respectively.

For the three years ended 31 December 2016, our revenue was approximately RMB238.9 million, RMB216.6 million and RMB248.8 million, respectively; and our profit for the corresponding years was approximately RMB12.9 million, RMB5.3 million and RMB20.7 million, respectively.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group, details of which are set out under the section headed "A. Further information about our Company — Reorganisation" in Appendix V to this prospectus. Financial information of our Group has been prepared as if our Company had been the holding company of our Group throughout the Track Record Period, on the basis set out in note 1.3 to the Accountant's Report set out in Appendix I to this prospectus.

The financial information has been prepared in accordance with HKFRSs issued by the HKICPA which has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

Our Group's current liabilities exceeded its current assets by approximately RMB64.9 million, RMB52.1 million and RMB35.1 million as at 31 December 2014, 2015 and 2016, respectively. As at 31 December 2016, our Group had capital commitments amounting to RMB3.9 million in relation to the acquisition of equipment. The Directors have reviewed the Group's cash flow forecast covering a period of not less than twelve months from 31 December 2016; and have given due consideration to the liquidity of our Group and adopted a going concern basis in preparing the financial information based on the following assessments:

(a) As at 31 December 2016, our Group's total borrowings amounted to approximately RMB105.2 million, of which RMB53.2 million will be due within twelve months from 31 December 2016, and our Group's bank acceptance notes payable amounted to approximately RMB68.9 million which were pledged by our Group's bank deposits of RMB37.8 million. During the Track Record Period, our Group has not experience any significant difficulties in renewing its bank borrowings upon their maturities and issuing its bank acceptance notes. In addition, all our Group's lending banks have advised their intention in writing, though not legally binding, to have the existing uncommitted facilities be available at the current terms for the period till 31 July 2018. There is no indication that the lending banks will not renew the existing bank borrowings if our Group applies for the renewal. Subsequent to 31 December 2016 and up to the Latest Practicable Date, our Group renewed short-term borrowings of approximately RMB42.4 million for another six or twelve months, and issued new bank acceptance notes of approximately RMB50.1 million;

(b) Our Directors also expect that sufficient sales orders will be secured in the coming year such that net operating cash inflows will be generated from its existing production facilities.

Accordingly, our Group expects to have sufficient working capital for its present requirements for at least the next 12 months from 31 December 2016. Based on the above considerations, the Directors are of the opinion that our Group will continue as a going concern and have prepared the Financial Information on a going concern basis.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operation have been, and will continue to be, affected by many factors, some of which are beyond our control. The below section summarises certain such key factors which we believe have affected our operation results during the Track Record Period, and shall continue to be so in the future.

Cost of raw materials

Our results of operations are significantly affected by the cost of raw materials, which accounted for approximately 87.0%, 83.7% and 83.2% of our total cost of sales for the three years ended 31

December 2016, respectively. Fluctuation in the cost of our raw materials and our ability to pass on any increase in raw material costs to our customers will affect our total cost of sales and our gross profit margins. Base paper, one of the key raw materials we use in our production, are particularly subject to price fluctuation. Our average purchase price for base paper for the production of decorative papers and melamine impregnated papers was approximately RMB9.7, RMB9.2 and RMB8.4 per kilogram, respectively, during the Track Record Period.

We maintain long-term business relationships with our suppliers to secure a stable supply of raw materials, but we did not enter into any long-term supply contracts with our suppliers. As of the Latest Practicable Date, we did not conduct any hedging activities against the risk of raw materials price fluctuation. Any significant increase in the price of our raw materials, in particular base paper, could have a significant impact on our cost of sales, which could in turn have a material adverse effect on our business, financial conditions and results of operations if we are unable to pass on a portion or all of such increased costs to our customers. We may also experience difficulties in passing on these increased cost to our customers under the competitive market environment in the industry.

Taking into account the above, the percentage figures used in the sensitivity analysis below are commensurate with the historical changes in overall decrease in purchase price for base papers during the Track Record Period was approximately 5.2% and 8.7%, respectively.

For illustration purpose only, the sensitivity analysis below illustrates the impact of hypothetical fluctuations in the purchase price of base paper, which is assumed to be consumed and expensed in our profit before income tax for the corresponding years during the Track Record Period. Fluctuations in the purchase price of base paper are assumed to be 5% and 10% for the three years ended 31 December 2016, respectively, assuming all other factors affecting our profit before income tax remain unchanged.

Hypothetical Fluctuations	**+/-5%**	**+/-10%**
	RMB'000	*RMB'000*
Change in profit before income tax		
Year ended 31 December 2014	-/+6,262	-/+12,525
Year ended 31 December 2015	-/+5,345	-/+10,689
Year ended 31 December 2016	-/+5,576	-/+11,152

Our ability to keep and expand our customers base

Revenue generated from the sales to our overseas customers accounted for approximately 58.8%, 69.0% and 65.3% of our total revenue, respectively, during the Track Record Period. Revenue generated from Pakistan, being our second largest market for the year ended 31 December 2014 and the largest market for the year ended 31 December 2015 and the year ended 31 December 2016, accounted for approximately 29.6%, 39.2% and 35.9% of our total revenue for the corresponding years, respectively. It is important for us to maintain close and mutually beneficial relationships with our key overseas customers. Our revenue is also subject to our customers' business, product quality, sales strategy, industry conditions and the overall economic market environments.

We generally do not have long-term purchase commitments from our customers and our sales are made on order by order basis. As we are not the exclusive supplier for these customers, we do not have guaranteed orders from them. There is no assurance that these customers will not purchase from other suppliers which they perceive offer equal or superior products or services, or which offer lower prices than us. In addition, if the demand for our customers' end products deteriorates or if there exists any adverse developments in their operations, we may receive fewer orders from these customers and hence, we may not be able to maintain the same level of sales volume and revenue as before.

Our ability to develop new products to respond to changing market trends and consumers' tastes

Our ability to develop new products and designs is important to our continuous business development. As at the Latest Practicable Date, we had a team of 15 research and development staff, which comprised of experienced personnel in the decorative printing materials products industry. New products and designs are subject to continuous innovation and we cannot assure you that new products developed by us will be well accepted by the market, or such products will be introduced to the market in a timely matter or at all. During the Trade Record Period, our research and development expenses were approximately RMB9.0 million, RMB8.7 million and RMB9.5 million, respectively. Our product and technological development capabilities are evident in the number of intellectual properties rights we have obtained which include eight trademarks, three patents, 16 utility models and 32 designs as at the Latest Practicable Date. We also have the ability to design and produce plate rollers by engraving patterns which enable us to provide a wide variety of designs for our customers' selections.

Our sales are subject to changing consumers' preference, which we may not be able to predict accurately. In the event that we are unable to develop new products and designs which meet the requirements of our customers or that our competitors have developed new and more advanced products that are widely accepted by the market, our business, financial conditions and results of operations may be materially and adversely affected. Please refer to the paragraph headed "We may not be able to keep up with the trends and develop products which are acceptable by our customers" under section headed "Risk Factor" in this prospectus.

Fluctuations in foreign exchange rates

As our sales are primarily made in USD, EUR and RMB, whereas our purchase of raw materials and the payment of our operating expenses are mainly made in RMB, we are exposed to foreign exchange risk. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Our profit margins will be negatively affected in case if the key foreign currencies (i.e. USD and EUR) depreciates against RMB materially.

Taking into account the above, the percentage figures used in the sensitivity analysis below are commensurate with the historical changes in overall fluctuations in RMB against HK$, USD and EUR during the Track Record Period which were ranged from approximately 0.6% to 6.5%, 0.7% to 6.6% and 3.3% to 12.6%, respectively.

Set out below is the sensitivity analysis illustrating the impacts on the profit before income tax if RMB had strengthened/weakened by 5.0% and 15.0% against the relevant foreign currencies, with all other variable had been held constant.

	Year ended 31 December					
	2014		**2015**		**2016**	
	(Decrease)/increase on profit before income tax if applicable exchange rates change by		**(Decrease)/increase on profit before income tax if applicable exchange rates change by**		**(Decrease)/increase on profit before income tax if applicable exchange rates change by**	
	+5%/+15%	**-5%/-15%**	**+5%/+15%**	**-5%/-15%**	**+5%/+15%**	**-5%/-15%**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
HK$	(6)/(18)	6/18	(42)/(126)	42/126	(120)/(360)	120/360
USD	(1,088)/(3,264)	1,088/3,264	(1,275)/(3,825)	1,275/3,825	(1,445)/(4,335)	1,445/4,335
EUR	(9)/(27)	9/27	(11)/(33)	11/33	(6)/(18)	6/18

Details of which are set out in note 3 to the Accountant's Report set out in Appendix I to the prospectus. Our Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. Our Directors will continue to monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise considering the hedging costs involved.

Direct labour costs

As at the Latest Practicable Date, we had employed 328 full time staff. For the three years ended 31 December 2016, our total employee benefit expenses amounted to approximately RMB21.3 million, RMB24.5 million and RMB27.0 million, respectively. Labour costs in the PRC have increased significantly in recent years and have affected our Group's cost structure. In the event that the labour cost will continue to increase and we are not able to identify and adopt appropriate means to reduce costs or pass on such increase in costs to our customers, our margins and profitability could be materially and adversely affected.

Taking into account the increases in salary levels in keeping pace with the PRC labour markets and the probable future economic conditions, the percentage change figures used in the sensitivity analysis below are commensurate with the historical changes per annum in increase in statutory minimum wage level in Lin'an City during the Track Record Period which was approximately 12.5%, 13.3% and nil, respectively.

For illustration purpose only, the sensitivity analysis below illustrates the impact of hypothetical fluctuations in the employee benefit expenses on our profit before income tax for the years during the Track Record Period. Fluctuations in the employee benefit expenses are assumed to be 10.0% and 20.0% for the three years ended 31 December 2016, respectively, assuming all other factors affecting our profit before income tax remain unchanged.

Hypothetical Fluctuations	**+/-10%**	**+/-20%**
	RMB'000	*RMB'000*
Increase/decrease in profit before income tax		
Year ended 31 December 2014	-/+2,128	-/+4,256
Year ended 31 December 2015	-/+2,450	-/+4,900
Year ended 31 December 2016	-/+2,645	-/+5,290

Gearing ratio and net current liabilities position

Our high gearing ratio and net current liabilities position as at 31 December 2016 expose us to liquidity risk. We mainly rely on cash generated from our business operations and bank borrowings to finance our business operations. Our high level of bank borrowings and gearing ratio could materially and adversely affect our liquidity. The high gearing ratios during the Track Record Period were mainly due to the utilising of short-term bank borrowings for the construction of Yangdai Factory and the purchase of machines and equipment. We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if recur in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results, financial condition could then be materially and adversely affected. Please refer to the paragraph headed "We experienced net current liabilities during the Track Record Period" under the section headed "Risk Factors" in this prospectus.

CRITICAL ACCOUNTING POLICIES

Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in details in note 2 to the Accountant's Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgement in the process of applying our Group's accounting policies. The assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgements on our carrying amounts of assets and liabilities and our results.

Revenue recognition

During the Track Record Period, we derived our revenue from the manufacturing and sales of decorative printing material products, which mainly include (i) decorative papers; (ii) melamine impregnated paper; (iii) finish foil paper; (iv) PVC furniture film; and (v) PVC flooring film.

Revenue is measured at the fair value of the consideration received or receivable, and represents amount receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue from the sale of our products is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and at the time of the transfer of risks and rewards of ownership, which generally coincides with the time when our products are delivered to our customers and the title has passed. During the Track Record Period, there were no delay of revenue recognition due to time required for inspection and acceptance by our customers.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our management decides accounting estimates and judgements and also seeks advice from the external reporting accountants, if necessary. The basis of determination of the estimates and judgements used for the preparation of our financial statements have not changed and are unlikely to change in the near future without unforeseeable events such as change in accounting standard and guidelines. We had not experienced any material deviation between our management's estimate and actual results and had not changed these estimates or the underlying assumptions during the Track Record Period. Our management does not expect any material change in these estimates or the underlying assumptions in the foreseeable future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in note 5 to the Accountant's Report set out in Appendix I to this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of operating results

The following table sets forth a summary of our consolidated statements of comprehensive income during the Track Record Period as extracted from the Accountant's Report set out in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountant's Report contained in Appendix I to this prospectus and not merely rely on the information contained in this section.

Consolidated Income Statements

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	238,863	216,598	248,773
Cost of sales	(186,146)	(171,440)	(176,977)
Gross profit	52,717	45,158	71,796
Selling expenses	(12,426)	(11,197)	(14,313)
Administrative expenses	(25,154)	(28,791)	(34,814)
Other income and other gains - net	5,994	5,935	6,411
Operating profit	21,131	11,105	29,080
Finance income	885	670	451
Finance expenses	(6,593)	(5,786)	(4,641)
Finance expenses - net	(5,708)	(5,116)	(4,190)
Profit before income tax	15,423	5,989	24,890
Income tax expense	(2,507)	(670)	(4,159)
Profit for the year	12,916	5,319	20,731
Profit attributable to			
- Owners of the Company	12,308	5,391	20,731
- Non-controlling interests	608	(72)	—
	12,916	5,319	20,731

PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generated revenue principally from the manufacturing and sales of decorative printing material products. Our total revenue was approximately RMB238.9 million, RMB216.6 million, and RMB248.8 million for the three years ended 31 December 2016, respectively. During the Track Record Period, our revenue was mainly attributed from manufacturers of wood products. The remaining revenue was contributed from trading entities.

Revenue by geographical locations

We generate our revenue from both domestic and overseas customers. The following table sets forth a breakdown of our revenue from the manufacturing and sales of decorative printing materials products to the top five geographical locations of our customers during the Track Record Period:

	For the year ended 31 December								
Ranking	**2014**			**2015**			**2016**		
		RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*
1	The PRC	98,353	41.2	Pakistan	84,916	39.2	Pakistan	89,331	35.9
2	Pakistan	70,640	29.6	The PRC	67,119	31.0	The PRC	86,293	34.7
3	India	20,817	8.7	India	19,518	9.0	India	18,045	7.3
4	Kenya	9,272	3.9	Kenya	7,651	3.5	Kenya	9,168	3.7
5	Thailand	3,733	1.5	Thailand	3,993	1.8	Thailand	7,776	3.1
	Others*(Note 1)*	36,048	15.1	Others*(Note 1)*	33,401	15.5	Others*(Note 1)*	38,160	15.3
	Total*(Note 2)*	238,863	100.0	Total*(Note 2)*	216,598	100.0	Total*(Note 2)*	248,773	100.0

Note:

1. Others mainly include other countries in Asia, North America, South America, Europe, Oceania and Africa.

2. For the three years ended 31 December 2016, approximately 1.8%, 2.0% and 0.4% of our total revenue, respectively, was attributed to customers or consignees in Afghanistan, Belarus, Ukraine, Iran and Syria. We ceased our sales to these Sanctioned Countries, Russia and Egypt as from September 2016.

During the Track Record Period, Pakistan and the PRC markets were our largest markets. Pakistan market contributed revenue of approximately RMB70.6 million, RMB84.9 million and RMB89.3 million for the three years ended 31 December 2016, respectively, and accounted for approximately 29.6%, 39.2% and 35.9% of our total revenue, respectively. Our revenue derived from the PRC market amounted to approximately RMB98.4 million, RMB67.1 million and RMB86.3 million for the three years ended 31 December 2016, respectively, and accounted for approximately 41.2%, 31.0% and 34.7% of our total revenue, respectively.

Revenue by products

The following table further sets forth a breakdown of our revenue by products:

	For the year ended 31 December					
	2014		2015		2016	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Decorative paper	174.2	73.0	167.8	77.5	181.2	72.9
Melamine impregnated paper	24.7	10.3	17.2	7.9	23.9	9.6
Finish foil paper	32.3	13.5	22.2	10.2	19.8	7.9
PVC furniture film	—	—	0.6	0.3	4.2	1.7
PVC flooring film	7.5	3.1	8.6	4.0	18.9	7.6
Others[*(Note)*]	0.2	0.1	0.2	0.1	0.8	0.3
Total	238.9	100.0	216.6	100.0	248.8	100.0

Note: Others mainly include laminated board and plate rollers.

Decorative paper, melamine impregnated paper and finish foil paper are our key products. In recent years, our product portfolio expanded to PVC flooring film and PVC furniture film. During the Track Record Period, the revenue generated from decorative paper products amounted to the largest portion of our Group's total revenue. Our revenue generated from decorative paper products amounted to approximately RMB174.2 million, RMB167.8 million and RMB181.2 million for the three years ended 31 December 2016, respectively, representing approximately 73.0%, 77.5% and 72.9% of our total revenue, respectively. Our revenue generated from finish foil paper products was approximately RMB32.3 million, RMB22.2 million and RMB19.8 million for the three years ended 31 December 2016, respectively, and equivalent to approximately 13.5%, 10.2% and 7.9% of our total revenue, respectively.

Cost of sales

Our cost of sales primarily comprises the direct cost associated with the manufacturing of our products, which consists mainly of the cost of direct materials, direct labour costs, depreciation and amortisation, utilities, other manufacturing cost and repair and maintenance. The following table sets forth a breakdown of our cost of sales during the Track Record Period by nature:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct materials	161,931	87.0	143,443	83.7	147,325	83.2
Direct labour costs	10,140	5.5	11,921	6.9	12,532	7.1
Depreciation and amortisation	6,021	3.2	8,554	5.0	8,890	5.0
Utilities	5,838	3.1	5,361	3.1	6,030	3.4
Other manufacturing costs	1,870	1.0	1,682	1.0	2,157	1.2
Repair and maintenance	254	0.1	384	0.2	113	0.1
Inventory write-down/ (write-back)	92	0.1	95	0.1	(70)	0.0
	186,146	100.0	171,440	100.0	176,977	100.0

Our primary raw materials for the manufacturing of our products are base papers and PVC mould. Our direct material cost amounted to approximately RMB161.9 million, RMB143.4 million, and RMB147.3 million for the three years ended 31 December 2016, respectively, and accounted for approximately 87.0%, 83.7% and 83.2% of our total cost of sales, respectively.

We use a variety of raw materials in our manufacturing processes. Our principal raw materials include base paper, chemicals, PVC mould, metals and packaging materials. The table below sets forth the breakdown of our total purchase of raw materials during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	*% of our total purchase*	*RMB'000*	*% of our total purchase*	*RMB'000*	*% of our total purchase*
Base paper (Note 1)	125,247	71.9	106,890	71.7	111,524	68.5
Chemicals (Note 2)	36,301	20.9	29,884	20.1	32,100	19.7
PVC mould (Note 3)	4,258	2.4	5,500	3.7	12,718	7.8
Metals (Note 4)	2,555	1.5	2,077	1.4	2,504	1.5
Packaging materials	1,947	1.1	1,747	1.2	2,180	1.4
Others (Note 5)	3,793	2.2	2,915	1.9	1,703	1.1
	174,101	100.0	149,013	100.0	162,729	100.0

Notes:

1. It represents the basic material for the production of decorative paper and finish foil paper.

2. It represents water and oil ink and other ancillary materials.

3. It represents the basic material for the production of PVC decorative film.

4. It represents ancillary metallic materials for our machines and equipment.

5. Others include coal and materials for production of plate roller

The purchase of base papers amounted to approximately RMB125.2 million, RMB106.9 million, and RMB111.5 million for the three years ended 31 December 2016, respectively, representing approximately 71.9%, 71.7% and 68.5% of our total purchase of raw materials of our Group, respectively. Chemicals accounted for 20.9%, 20.1% and 19.7% of our total purchases for the three years ended 31 December 2016, respectively.

Direct labour costs consisted of salaries and employee benefits of our production staff. It amounted to approximately RMB10.1 million, RMB11.9 million and RMB12.5 million for the three years ended 31 December 2016, respectively, and accounted for approximately 5.5%, 6.9% and 7.1% of our total cost of sales, respectively.

Other manufacturing costs consisted of business tax and surplus, subcontracting fees, testing fees and other miscellaneous production costs, which accounted for approximately 1.0%, 1.0% and 1.2% of our total cost of sales for the three years ended 31 December 2016, respectively.

Gross profit and gross profit margin

The table below sets forth our gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Gross profit	52,717	45,158	71,796

	For the year ended 31 December		
	2014	**2015**	**2016**
Decorative paper	22.0%	21.7%	29.9%
Melamine impregnated paper	16.7%	17.4%	19.1%
Finish foil paper	22.9%	16.0%	21.4%
PVC furniture film	—	1.0%	39.8%
PVC flooring film	37.6%	26.2%	37.9%
Overall gross profit margin	22.1%	20.8%	28.9%

Other income and other gains-net

During the Track Record Period, other income and other gains primarily consist of (i) interest income derived from loan to Longsheng Investment; (ii) sales of scrap and surplus materials; (iii) gain from disposal of available-for-sale financial assets; (iv) rental income; (v) deferred government grant income awarded to us for subsidising our production facilities upgrade and utilising equipment which are considered by the government as environmental friendly. For more details, please refer to the paragraph headed "Receipt of government grants" in this section; (vi) foreign exchange gains; (vii) losses on disposal of property, plant and equipment; and (viii) gain on disposal of investment property and land use rights.

The following table sets out the components of other income and other gains — net during the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Interest income derived from amount due from a related party	2,489	—	—
Income of sales of scrap and surplus materials	1,799	1,288	1,597
Gain from disposal of available-for-sale financial assets	1,066	—	—
Rental income	989	1,020	407
Government grants income including amortisation of deferred government grants	546	110	2,482
Foreign exchange gains	147	3,659	2,864
Loss on disposal of property, plant and equipment	(1,279)	(76)	(1,796)
Gain on disposal of investment property and land use rights	—	—	855
Others	237	(66)	2
	5,994	5,935	6,411

Administrative expenses

Administrative expenses mainly comprised of (i) research and development costs; (ii) salaries, wages and benefits of our administrative staff; (iii) depreciation and amortisation expenses; and (iv) travelling and entertainment expenses.

The table below sets forth the components of our administrative expenses during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development costs	8,976	35.7	8,745	30.4	9,499	27.3
Employee benefit expenses	6,868	27.3	8,023	27.9	8,917	25.6
Depreciation and amortisation	2,225	8.8	2,566	8.9	2,500	7.2
Travelling expenses	2,156	8.6	1,511	5.2	1,520	4.4
Entertainment expenses	1,286	5.1	1,029	3.6	1,198	3.4
Other taxes and levies	716	2.8	1,898	6.6	907	2.6
Listing expenses	831	3.3	3,604	12.5	7,039	20.2
Auditors' remuneration - audit service	24	0.1	68	0.2	36	0.1
Consumables used	581	2.3	379	1.3	531	1.5
Impairment charges/(reversal) for receivables	(28)	(0.1)	325	1.1	1,012	2.9
Other administrative expenses*(Note)*	1,519	6.1	643	2.3	1,655	4.8
Total	25,154	100.0	28,791	100.0	34,814	100.0

Note: Other administrative expenses mainly represent office expenses, insurance expenses, security fee and sewage charges.

Selling expenses

Selling expenses mainly comprised of (i) transportation expenses; (ii) wages, salaries and welfare of our sales staff; (iii) travelling and entertainment expenses; (iv) marketing and exhibition expenses; (v) sales commission; and (vi) other selling expenses.

The table below sets forth the components of our selling expenses during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Transportation expenses	4,891	39.4	3,465	30.9	4,173	29.2
Employee benefit expenses	1,278	10.3	1,460	13.1	2,157	15.1
Travelling and entertainment expenses	2,587	20.8	2,511	22.4	2,611	18.2
Marketing and exhibition expenses	929	7.5	820	7.3	1,749	12.2
Commission expenses	1,968	15.8	2,060	18.4	2,737	19.1
Other selling expenses*(Note)*	773	6.2	881	7.9	886	6.2
	12,426	100.0	11,197	100.0	14,313	100.0

Note: Other selling expenses mainly represent courier expenses and office expenses.

Finance expenses — net

Net finance expenses mainly represent the interest expenses on borrowings net of the interest income from bank deposits.

The following table sets forth the breakdown of our net finance expenses during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Finance expenses:			
- Interest expenses on borrowings	8,499	8,026	6,996
- Less: capitalised interest	(2,823)	(3,183)	(3,190)
Interest expenses	5,676	4,843	3,806
- Bank service charges	917	943	835
Finance expenses	6,593	5,786	4,641
Finance income:			
- Interest income derived from bank deposits	(885)	(670)	(451)
Finance expenses — net	5,708	5,116	4,190

Income tax expense

Income tax expense primarily consists of provision for PRC current income tax expense as our business operations are conducted in the PRC.

Under the applicable PRC laws, rules and regulations, our PRC subsidiaries, apart from Shenglong Decoration, are subject to the EIT Law at a rate of 25%. According to the EIT Law, qualified new and high-tech enterprises which need the key support of the state shall be levied a reduced corporate income tax of 15%. According to the Implementation Rules of the EIT Law, new and high-tech enterprises which need the key support of the state are enterprises that have their own independent, core intellectual property rights and at the same time meet the conditions as stated in the paragraph headed "Taxation — Enterprise income tax" under the section headed "Regulatory Overview". As Shenglong Decoration has been recognised as a High and New Technology Enterprise, Shenglong Decoration has enjoyed a preferential EIT tax rate of 15.0% since the financial year ended 31 December 2011 and was entitled to enjoy such a preferential tax rate for the financial year ended 31 December 2014, 2015 and 2016. Our effective tax rates representing our income tax dividing our profit before tax for the corresponding year were 16.3%, 11.2%, and 16.7% for each of the three years ended 31 December 2016, respectively.

Our certificate on qualified High and New Technology Enterprise will be expired in September 2017 and Shenglong Decoration intends to apply renewal from the relevant authorities in the PRC. Our PRC Legal Advisers opined that we have fulfilled all the conditions of the Administrative Measures for Determination of High and New Technology Enterprises as mentioned in the paragraph headed "Taxation — Enterprise income tax" under the section headed "Regulatory Overview".

REVIEW OF HISTORICAL OPERATING RESULTS

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately RMB32.2 million or 14.9% from approximately RMB216.6 million for the year ended 31 December 2015 to approximately RMB248.8 million for the year ended 31 December 2016.

Revenue by geographical locations

The increase in our revenue for the year ended 31 December 2016 was mainly due to the combined factors of Pakistan, the PRC and Kenya markets.

Revenue generated from Pakistan market increased by approximately RMB4.4 million or 5.2%, from approximately RMB84.9 million for the year ended 31 December 2015 to approximately RMB89.3 million for the year ended 31 December 2016. Such increase was mainly due to the increase in demand of our products from our customers along with the expanding decorative papers market in Pakistan during 2016.

Revenue generated from the PRC market increased by approximately RMB19.2 million or 28.6%, from approximately RMB67.1 million for the year ended 31 December 2015 to approximately RMB86.3 million for the year ended 31 December 2016. The increase was mainly due to (i) our new customers who are manufacturers and trading entities started to place sales orders of decorative papers and melamine impregnated papers to us during 2016; and (ii) the increased sales orders of PVC decorative film products placed by our existing customers due to our strengthened manpower in our sales department, which were offset by the effect of the reduction in business transactions with a number of PRC customers as they maintained relatively long outstanding trade receivable balances with us.

Revenue generated from Kenya market increased by approximately RMB1.5 million or 19.8%, from approximately RMB7.7 million for the year ended 31 December 2015 to approximately RMB9.2 million for the year ended 31 December 2016. The increase was mainly due to (i) sales orders of Customer C, one of our top five customers during the Track Record Period, in late 2015 were deferred to early 2016 as it was requested by the customs in Kenya for a pre-export verification of conformity on its orders to us. Following Customer C informed us they had obtained a waiver from the customs of Kenya on this requirement by February 2016, Customer C continued to place purchase orders to us without the pre-export verification of conformity from March 2016; and (ii) we have strengthened the customer relationships with Customer C through entering into a cooperative agreement in June 2016 and received more purchase orders from Customer C.

Revenue by product types

Revenue generated from the sale of the decorative papers slightly increased by approximately RMB13.4 million or 8.0%, from approximately RMB167.8 million for the year ended 31 December 2015 to approximately RMB181.2 million for the year ended 31 December 2016. The increase was mainly attributable to (i) the increase in sales volume of the decorative papers in Pakistan and Kenya markets. For details, please refer to the paragraph, headed “Revenue by geographic locations” under this section; (ii) the increase in sales orders from one existing customer in Thailand; and (iii) we secured two new customers in the PRC and in Africa during 2016.

Revenue generated from the sale of melamine impregnated paper increased from approximately RMB17.2 million for the year ended 31 December 2015 to approximately RMB23.9 million for the year ended 31 December 2016. The increase was mainly due to the sales of the melamine impregnated papers to New Customer A and its sub-contractors, who started to place sales orders to us in November 2016, which was offset by the effect of the decrease in business transactions with some PRC customers as we adopted a more conservative credit policy over these customers who maintained relatively long outstanding trade receivable balances with us.

Revenue generated from the sale of finish foil paper decreased from approximately RMB22.2 million for the year ended 31 December 2015 to approximately RMB19.8 million for the year ended 31 December 2016. The decrease was mainly because of the decrease in purchase orders from a PRC customer which was a wooden door manufacturer. The Directors are of the opinion that the decrease in purchase orders from such customer was mainly due to the decline in the demand of the wooden doors manufactured by the PRC manufacturers.

We recorded growth in revenue generated from the sale of PVC furniture film for the year ended 31 December 2016 as PVC furniture film was newly launched to the market in April 2015. We started business with over than 20 new customers for sales of PVC furniture film during 2016.

Revenue generated from the sale of PVC flooring film increased sharply from approximately RMB8.6 million for the year ended 31 December 2015 to approximately RMB18.9 million for the year ended 31 December 2016. The increase was mainly because (i) we secured two new customers during 2015 for our PVC flooring film products and we recorded increased orders from them during 2016; and (ii) following the strengthening of our manpower in our sales department of PVC decorative film products and our enhanced promotion effort, we recorded increased orders from our existing customers during 2016.

Cost of sales

The total cost of sales slightly increased from approximately RMB171.4 million for the year ended 31 December 2015 to RMB177.0 million for the year ended 31 December 2016. The increase was mainly due to the increase in direct materials and direct labour costs.

The increase in direct materials was mainly because of the increase in sales volume of 2016 as compared to 2015, which was offset by the drop of the average purchase price of base paper for the production of decorative paper and melamine impregnated paper during 2016. The increase in direct labour costs for the year ended 31 December 2016 was mainly because of the increase in number of our direct labour and the increase in average salary level owing to the upward salary adjustment of our direct labour during the second half of 2016.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB45.2 million for the year ended 31 December 2015 to approximately RMB71.8 million for the year ended 31 December 2016. The increase in gross profit was principally due to (i) the sales in the PRC market were rebounded and increased by approximately RMB19.2 million or 28.6% from approximately RMB67.1 million for the year ended 31 December 2015 to approximately RMB86.3 million for the year ended 31 December 2016 following that certain new customers started to place sales order with us; (ii) increase in sales to certain overseas market, especially in Pakistan, Kenya and Thailand, which the sales increased by 5.2%, 19.8% and 94.7%, respectively, on a year-to-year basis.; (iii) sharp increase in sales of our PVC decorative film products which generally have higher gross profit margin than other products. The sales of our PVC decorative film products increased by approximately RMB13.9 million from approximately RMB9.2 million for the year ended 31 December 2015 to approximately RMB23.1 million for the year ended 31 December 2016, which the revenue contribution from our PVC decorative film products increased from approximately 4.3% of our total revenue for the year ended 31 December 2015 to approximately 9.3% of our total revenue for the year ended 31 December 2016.; (iv) the decrease in business transactions with certain PRC trading entities with generally lower profit margin; (v) the decrease in average cost of chemicals used for our production as we utilised higher portion of self-produced printing ink for the printing of our products; and (vi) we were able to maintain relatively stable prices of our decorative paper and melamine impregnated paper, with the average selling price in 2016 decreased by approximately 3.2% and 5.7%, respectively, as compared with that of 2015 despite we experienced a decrease in purchase costs of base paper, the major raw material for our productions, by approximately 8.7% in 2016, as compared with that of 2015.

The gross profit margin of decorative paper increased from approximately 21.7% for the year ended 31 December 2015 to approximately 29.9% for the year ended 31 December 2016. We also recorded an increase in gross profit margin of melamine impregnated paper from approximately 17.4% for the year ended 31 December 2015 to approximately 19.1% for the year ended 31 December 2016. The increase in gross profit margin was mainly due to (i) the decrease in average selling price of decorative paper and melamine impregnated paper and (ii) the decrease in average costs of production of our products.

The average selling prices of our decorative paper and melamine impregnated paper in 2016 decreased by approximately 3.2% and 5.7%, respectively, as compared with that of 2015. The average price of decorative paper slightly decreased from RMB15,860 per tonne in 2015 to RMB15,360 per tonne in 2016 due to the reduction of market price of base paper in 2016. The average selling price of our melamine impregnated paper decreased from RMB8.7 per piece in 2015 to RMB8.2 per piece in 2016, which is mainly due to the price offer made to New Customer A under the cooperation arrangement.

The decrease in average cost of production of our decorative paper and melamine impregnated paper was mainly due to (i) the decrease in average purchase price of base paper, being the core material for the production of our decorative paper and melamine impregnated paper. The average purchase price decreased by approximately 8.7% from approximately RMB9.2 per kilogram for the year ended 31 December 2015 to approximately RMB8.4 per kilogram for the year ended 31 December 2016; (ii) the decrease in costs of chemicals used for production of decorative paper and melamine impregnated paper as we utilised higher portion of self-produced printing ink for the printing of our products; and (iii) the positive impact of the enjoyment of economic of scale as a result of the increase in production volume. For illustration purpose, the total costs of sales (excluding direct material cost) increased by approximately 6.1% from RMB28.0 million for the year ended 31 December 2015 to RMB29.7 million for the year ended 31 December 2016. However, the sales volume of decorative paper and melamine impregnated paper increased by 11.3% and 46.3%, respectively.

The gross profit margin of finish foil paper increased from approximately 16.0% for the year ended 31 December 2015 to approximately 21.4% for the year ended 31 December 2016. The average selling price of finish foil paper increased by 4.2% from RMB1.18 per metre in 2015 to RMB1.23 per metre in 2016. The increase in average selling price of our finish foil paper was mainly due to (i) a product upgrade during the year and larger portion of high grade finish foil paper products were sold during 2016 and (ii) the decrease in business transaction with a number of PRC trading entities with lower price, which the average selling price of finish foil paper for 2015 and 2016 is RMB1.01 per metre and RMB0.95 per metre, respectively. The portion of sales contributed from these trading entities for finish foil paper decreased from 17.7% in 2015 to 12.4% in 2016. However, the average purchase price of base paper of finish foil paper remains relative stable during 2015 and 2016.

The gross profit margin of PVC furniture film increased from approximately 1.0% for the year ended 31 December 2015 to approximately 39.8% for the year ended 31 December 2016. It was mainly due to (i) the average selling price of PVC furniture film increased by 6.3% from RMB8.0 per metre in 2015 to RMB8.5 per metre in 2016. The increase in average selling price of our PVC furniture film was mainly due to the increase in sales volume of thicker PVC furniture film, with the selling price of at least RMB10.0 per metre. The portion of thicker PVC furniture film to sales volume increased from 20.4% in 2015 to 30.2% in 2016; and (ii) the positive impact of the enjoyment of economic of scale as a result of the increase in production volume. For illustration purpose, the depreciation of machinery directly related to the production of PVC furniture film was approximately RMB459,000 and this cost was shared by the sales volume of approximately 79,500 metres and approximately 491,000 metres for 2015 and 2016, respectively.

The gross profit margin of PVC flooring film increased from approximately 26.2% for the year ended 31 December 2015 to approximately 37.9% for the year ended 31 December 2016. The improvement in gross profit margin was mainly because (i) the increase in average selling price of PVC flooring film by 6.1% from RMB3.3 per metre in 2015 to RMB3.5 per metre in 2016. We offered to our customers with the PVC flooring film products with wider width which have higher gross profit margin. The portion of PVC flooring film with wider width increased from 10.8% in 2015 to 30.0% in 2016; and (ii) the positive impact of the enjoyment of economic of scale as a result of the increase in production volume of PVC flooring film with the fixed costs such as depreciation and amortisation of property, plant and equipment and intangible assets is shared by the sales volume of approximately 2,597,000 metres and 5,435,000 metres for 2015 and 2016, respectively.

Other income and other gains-net

Our other income increased by approximately RMB0.5 million or 8.0% from approximately RMB5.9 million for the year ended 31 December 2015 to approximately RMB6.4 million for the year ended 31 December 2016. Such increase was primarily attributable to (i) the disposal of investment property and land use rights of Dongshan Factory to an Independent Third Party in July 2016; and (ii) the receipt of government grants income related to the abolishment of the use of non-environmental friendly production facilities, which were offset by (i) the loss on disposal of oil fired boilers and other related ancillary buildings as we have set up gas facilities to replace them during 2016 and (ii) the decrease in net foreign exchange gains due to the rate of appreciation of US dollars against RMB which was flattened during 2016 as compared to 2015.

Administrative expenses

Our administrative expenses increased by approximately RMB6.0 million or 20.9% from approximately RMB28.8 million for the year ended 31 December 2015 to approximately RMB34.8 million for the year ended 31 December 2016. The increase was mainly derived from (i) the increase in research and development costs as we conducted more research and development projects in relation to the improvement of our production techniques and for product enhancements during the year; (ii) the increase in listing expenses of approximately RMB3.4 million; and (iii) the increase in impairment changes for long-aged receivables of approximately RMB0.7 million.

Selling expenses

Our selling expenses increased by approximately RMB3.1 million or 27.8% from approximately RMB11.2 million for the year ended 31 December 2015 to approximately RMB14.3 million for the year ended 31 December 2016. The increase was primarily attributable to the combined factors of (i) the increase in staff costs due to the recruitment of more staff to sales department; (ii) the increase in sales commission along with the increase in overseas sales, in particular in the Pakistan market; (iii) the increase in courier expenses due to the increase in mail expenses for more coordination work with overseas customers and marketing purpose; (iv) the payment of licensing fee of approximately RMB0.4 million to New Customer A; and (v) the attendance of more trade exhibitions and trade fair during the year.

Finance expenses - net

Our net finance expenses reduced from approximately RMB5.1 million for the year ended 31 December 2015 to RMB4.2 million for the year ended 31 December 2016. The decrease was mainly because we secured bank borrowings at a lower interest rate during 2016.

Income tax expense

Our income tax expense increased by approximately RMB3.5 million from approximately RMB0.7 million for the year ended 31 December 2015 to approximately RMB4.2 million for the year ended 31 December 2016. Such increase was in line with the increase in profit before tax during the year.

Profit for the year

As a result of the effect of the above factors, in particular that we recorded higher revenue and higher gross profit margin on majority of our products sold for the year ended 31 December 2016, our profit for the year increased, from approximately RMB5.3 million for the year ended 31 December 2015 to approximately RMB20.7 million for the year ended 31 December 2016.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Our revenue decreased by approximately RMB22.3 million or 9.3% from approximately RMB238.9 million for the year ended 31 December 2014 to approximately RMB216.6 million for the year ended 31 December 2015.

Revenue by geographical locations

The decrease in our revenue for the year ended 31 December 2015 as compared with that of 2014 was mainly due to the combined factors of Pakistan, the PRC and Kenya markets.

Revenue generated from Pakistan market increased by approximately RMB14.3 million or 20.2%, from approximately RMB70.6 million for the year ended 31 December 2014 to approximately RMB84.9 million for the year ended 31 December 2015. Such increase was mainly due to the increase in sale amounts from each of our customers in Pakistan along with the increase in demand of our products from our customers along with the expanding decorative papers market in Pakistan, during the year of 2015.

Revenue generated from the PRC market decreased by approximately RMB31.3 million or 31.8%, from approximately RMB98.4 million for the year ended 31 December 2014 to approximately RMB67.1 million for the year ended 31 December 2015. The decrease was primarily due to (i) the significant decrease in business transactions with 33 PRC customers as we adopted a more conservative credit policy over these customers who maintained relatively long outstanding trade receivable balances with us; (ii) the decrease in business transactions with PRC trading entities as we intended to increase the business transactions with the manufacturers directly, which contributed higher profit margin and more stable sales orders, in particular, we started to explore and develop business relationship with certain sizable furniture manufacturers during the year; and (iii) the decrease in purchase orders from a PRC customer which was a wooden door manufacturer. Our Directors are of the opinion that the decrease in the purchase orders from such customer was mainly due to the decline in the demand of the wooden doors manufactured by the PRC manufacturers. The revenue generated from these customers decreased from approximately RMB29.7 million for the year ended 31 December 2014 to RMB11.7 million for the year ended 31 December 2015.

Revenue generated from Kenya market decreased by approximately RMB1.6 million or 17.5%, from approximately RMB9.3 million for the year ended 31 December 2014 to approximately RMB7.7 million for the year ended 31 December 2015. During the year ended 31 December 2015, Customer C, who was one of our top five customers, received a request from the customs of Kenya for a pre-export verification of conformity before each import delivery of our products. The prolonged processing time resulted in reduced purchase orders from Customer C in 2015.

Revenue by product types

Revenue generated from the sale of the decorative papers decreased by approximately RMB6.4 million or 3.7% from approximately RMB174.2 million for the year ended 31 December 2014 to approximately RMB167.8 million for the year ended 31 December 2015. Revenue generated from the sale of melamine impregnated paper also decreased from approximately RMB24.7 million for the year ended 31 December 2014 to approximately RMB17.2 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in sales in the PRC market. For details, please refer to the paragraph headed "Revenue by geographical locations" under this section.

Revenue generated from the sale of finish foil paper decreased from approximately RMB32.3 million for the year ended 31 December 2014 to approximately RMB22.2 million for the year ended 31 December 2015. The decrease was mainly because of (i) the decrease in purchase orders from a PRC customer which was a wooden door manufacturer; and (ii) the decreasing trend in the application of finish foil paper on wood-based boards.

With PVC furniture film being newly launched to the market in April 2015, we recorded a revenue of approximately RMB0.6 million for the year ended 31 December 2015.

Revenue generated from the sale of PVC flooring film increased from approximately RMB7.5 million for the year ended 31 December 2014 to approximately RMB8.6 million for the year ended 31 December 2015. The increase was mainly because we secured a new customer during the second half of 2015 for our PVC flooring film products.

Cost of sales

Our cost of sales decreased from approximately RMB186.1 million for the year ended 31 December 2014 to approximately RMB171.4 million for the year ended 31 December 2015, which was in line with the decrease in our sales for the year. The decrease of approximately RMB14.7 million or approximately 7.9% was principally attributable to the decrease in purchase from our suppliers of approximately RMB18.5 million as a result of the lower production volume in 2015.

The purchase of base papers decreased by approximately RMB18.3 million from approximately RMB125.2 million for the year ended 31 December 2014 to approximately RMB106.9 million for the year ended 31 December 2015. The decrease was mainly due to (i) the reduction in orders for our decorative papers, finish foil papers and melamine impregnated papers; and (ii) the decrease in average purchase price of base paper for the production of decorative paper and melamine impregnated paper. The relevant average purchase price decreased from approximately RMB9.7 per kilogram for the year ended 31 December 2014 to approximately RMB9.2 per kilogram for the year ended 31 December 2015.

The purchase of chemicals decreased by approximately RMB6.4 million from approximately RMB36.3 million for the year ended 31 December 2014 to approximately RMB29.9 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in cost of chemicals as we utilised higher portion of self-produced printing ink for the printing of our products.

The direct labour costs increased by approximately RMB1.8 million or 17.6% from approximately RMB10.1 million for the year ended 31 December 2014 to approximately RMB11.9 million for the year ended 31 December 2015 owing to the upward salary adjustment in compliance with the new minimum wage requirements in the PRC.

Gross profit and gross profit margin

Our gross profit decreased from approximately RMB52.7 million for the year ended 31 December 2014 to approximately RMB45.2 million for the year ended 31 December 2015. The decrease in gross profit was principally due to the decrease in our revenue of approximately RMB22.3 million generated in 2015 and the increase in depreciation and amortisation of approximately RMB2.5 million with the commencement of operation of our Yangdai Factory during the fourth quarter of 2014.

Our gross profit margin decreased from approximately 22.1% for the year ended 31 December 2014 to approximately 20.8% for the year ended 31 December 2015. We maintained stable gross profit margin of decorative paper at approximately 22.0% and 21.7% for the year ended 31 December 2014 and 2015, respectively. We recorded an increase in gross profit margin of melamine impregnated paper from approximately 16.7% for the year ended 31 December 2014 to approximately 17.4% for the year ended 31 December 2015. The improvement in gross profit margin was mainly because of the increase in average selling price of melamine impregnated paper from RMB8.4 per piece in 2014 to RMB8.7 per piece in 2015.

The gross profit margin of finish foil paper decreased from approximately 22.9% for the year ended 31 December 2014 to approximately 16.0% for the year ended 31 December 2015. The gross profit margin of PVC flooring film also decreased from approximately 37.6% for the year ended 31 December 2014 to approximately 26.2% for the year ended 31 December 2015. The decrease in both gross profit margins was mainly because of the commencement of operations in our Yangdai Factory since the fourth quarter in 2014 which resulted in increase in depreciation and amortisation expenses recognised in 2015.

The PVC furniture film was newly launched to the market in April 2015 and we had very few sale orders at the beginning of the launch of this product between April and June 2015. We then delivered free samples of PVC furniture film to more potential customers during the second half year of 2015 for promotion purpose. As such, we recorded the gross profit margin of PVC furniture film of approximately 1.0% for the entire year of 2015.

Other income and other gains-net

Our other income slightly decreased by approximately RMB0.1 million or 1.0% from approximately RMB6.0 million for the year ended 31 December 2014 to approximately RMB5.9 million for the year ended 31 December 2015. Such decrease was primarily attributable to the combined factors of (i) the interest income derived from loan to the related party, which was Longsheng Investment, being recognised during the year ended 31 December 2014 of approximately RMB2.5 million; (ii) the decrease in sales of scrap and surplus materials of approximately RMB0.5 million during 2015; and (iii) the gain from disposal of available-for-sale financial assets being recognised during the year ended 31 December 2014 of approximately RMB1.1 million. The available-for-sale financial assets represented an investment of a non-controlling interest in a rural credit union established in the PRC; and was offset by the increase in net foreign exchange gains of approximately RMB3.5 million during 2015 resulted from the appreciation of USD against RMB in 2015.

Administrative expenses

Our administrative expenses increased by approximately RMB3.6 million or 14.5% from approximately RMB25.2 million for the year ended 31 December 2014 to approximately RMB28.8 million for the year ended 31 December 2015. The increase was primarily attributable to (i) the increase in the employee benefit expenses in relation to the employment of a senior personnel in mid-2014 who was mainly responsible for the marketing of our PVC furniture film and PVC flooring film products; (ii) increase of other taxes with the changes in tax rates charged in Yangdai Factory; and (iii) the increase in the listing expenses of approximately RMB2.8 million.

Selling expenses

Our selling expenses decreased by approximately RMB1.2 million or 9.9% from approximately RMB12.4 million for the year ended 31 December 2014 to approximately RMB11.2 million for the year ended 31 December 2015. The decrease was primarily attributable to the decrease in the transportation expenses with the decrease in transactions with PRC customers.

Finance expenses - net

Our net finance expenses decreased by approximately RMB0.6 million or 10.4% from approximately RMB5.7 million for the year ended 31 December 2014 to approximately RMB5.1 million for the year ended 31 December 2015. The decrease was primarily attributable to the decrease in our loan level in 2015 and the lower of interest rates on new loans we secured in 2015 along with the lowered of the benchmark loan prime rate as set out by the People's Bank of China.

Income tax expense

Our income tax expense decreased by approximately RMB1.8 million from approximately RMB2.5 million for the year ended 31 December 2014 to approximately RMB0.7 million for the year ended 31 December 2015. Such decrease was in line with the reduction in profit before tax in 2015.

Profit for the year

As a result of the effect of the above factors, in particular that we recorded lower revenue (and hence lower gross profit) and higher administrative expenses for the year ended 31 December 2015, our profit decreased by approximately RMB7.6 million or 58.8%, from approximately RMB12.9 million for the year ended 31 December 2014 to approximately RMB5.3 million for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have funded our operations primarily through a combination of net cash flow generated from our operating activities, bank borrowings and amount due from related parties. As at 31 December 2016, we had approximately RMB11.3 million in cash and cash equivalents. Our cash and cash equivalents primarily consist of bank balances and cash.

Cash flows

Set out below are our net cash flows during the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	12,226	15,710	34,653
Net cash (used in)/from investing activities	(27,449)	3,644	2,041
Net cash from/(used in) financing activities	17,635	(16,037)	(34,657)
Net increase in cash and cash equivalents	2,412	3,317	2,037
Cash and cash equivalents at beginning of the year	3,378	5,782	9,124
Exchange (losses)/gains on cash and cash equivalents	(8)	25	183
Cash and cash equivalents at end of the year	5,782	9,124	11,344

Net cash from operating activities

Our cash inflow is primarily derived from the manufacturing and sales of decorative printing materials products. Our cash outflow for operating activities is primarily used for purchases of raw materials, payment of labour costs, selling, administrative and other operating expenses and taxes. Cash flow from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from our customers and payment of trade payables to our suppliers during the ordinary course of our business. Net cash generated from operating activities primarily consisted of profit before income tax adjusted for depreciation and amortisation, loss on disposal of property, plant and equipment, interest expenses, and the effect of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables.

For the year ended 31 December 2014, our net cash generated from operating activities was approximately RMB12.2 million, reflecting cash generated from operations of approximately RMB16.8 million, which was offset by the income tax paid of approximately RMB4.6 million. Our cash flow before changes in working capital was approximately RMB30.6 million. Negative changes in working capital mainly reflected an increase in trade and other receivables of approximately RMB2.1 million resulting from an increase in sales incurred compared to prior year and a decrease in trade and other payables of approximately RMB10.6 million resulting from the repayment for the purchase of raw materials.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately RMB15.7 million, reflecting cash generated from operations of approximately RMB19.5 million, which was offset by income tax paid of approximately RMB3.8 million. Our cash flow before changes in working capital was approximately RMB22.6 million. Negative changes in working capital mainly reflected an increase in trade and other receivables of approximately RMB14.4

million resulting from an increase in deposit for the prepayment of raw materials to Supplier E with aim to secure a stable supply of base paper which was offset by (i) a decrease in inventory of approximately RMB4.6 million due to the decrease in raw materials as a result of the decrease in sales in 2015; and (ii) an increase in trade and other payables of approximately RMB6.7 million resulting from the use of more bank acceptance notes to settle our purchases from suppliers.

For the year ended 31 December 2016, our net cash generated from operating activities was approximately RMB34.7 million, reflecting cash generated from operations of approximately RMB38.1 million, which was offset by income tax paid of approximately RMB3.4 million. Our cash flow before changes in working capital and taxes paid increased from approximately RMB22.6 million for the year ended 31 December 2015 to approximately RMB42.6 million for the year ended 31 December 2016, which was mainly attributable to the increase in profit before income tax from approximately RMB6.0 million for the year ended 31 December 2015 to approximately RMB24.9 million for the year ended 31 December 2016. Negative changes in working capital mainly reflected (i) an increase in trade and other receivables of approximately RMB7.5 million resulting from more sales generated in the fourth quarter of 2016 than that in the fourth quarter in 2015 which was offset by the full repayment of deposits for the prepayment of raw materials from Supplier E; (ii) an increase in inventories of approximately RMB6.3 million with the expectation of rising raw material price in 2017 and to meet the production demand of the early Chinese Lunar New Year in January 2017, which was offset by the effect of an increase in trade and other payables of approximately RMB9.3 million resulting from longer credit period granted to us by certain suppliers and more purchases made in the fourth quarter of 2016 which was consistent with the overall increase in sales during that period.

Net cash (used in)/from investing activities

Our cash inflow from investing activities primarily consists of decrease in restricted deposits, proceeds from disposal for available-for-sale financial assets and proceeds from disposal of property, plant and equipment, proceeds from disposals of investment property and land use rights and receipt of amount due from related parties whereas our cash outflow from investing activities primarily include cash used in the purchase of property, plant and equipment and payment of amount due from related parties.

For the year ended 31 December 2014, our net cash used in investing activities was approximately RMB27.4 million. The amount was mainly attributable to the purchase of land use right and purchase of property, plant and equipment mainly for the Yangdai Factory of approximately RMB8.3 million and RMB44.1 million, respectively, which was mainly offset by (i) the decrease in restricted bank deposits of approximately RMB8.1 million; and (ii) decrease in net amount due from related parties of approximately RMB14.1 million.

For the year ended 31 December 2015, our net cash generated from investing activities was approximately RMB3.6 million. The amount was mainly attributable to decrease in net amount due from the related parties of approximately RMB20.0 million. The cash inflow was mainly offset by purchase of property, plant and equipment mainly for the Yangdai Factory of approximately RMB12.8 million.

For the year ended 31 December 2016, our net cash generated from investing activities was approximately RMB2.0 million. The amount was mainly attributable to (i) proceed from disposal of available-for-sale financial assets, which represented a 2.5% equity interest in an unlisted local bank of RMB5.0 million; and (ii) net proceed from disposal of investment property and land use rights, which represented the Dongshan Factory of approximately RMB9.1 million, which was mainly offset by purchase of property, plant and equipment mainly for the Yangdai Factory of approximately RMB15.7 million.

Net cash from/(used in) financing activities

Our cash inflow from financing activities primarily consist of proceeds from bank borrowings, whereas our cash outflow for financing activities mainly consists of repayment of bank borrowings, interest paid and dividends paid.

For the year ended 31 December 2014, our net cash generated from financing activities was approximately RMB17.6 million. The amount was mainly attributable to the proceeds from bank borrowings of approximately RMB140.3 million, which was offset by repayment of bank borrowings and interest paid of approximately RMB117.3 million and RMB9.4 million, respectively.

For the year ended 31 December 2015, our net cash used in financing activities was approximately RMB16.0 million. The amount was mainly attributable to the proceeds from bank borrowings of approximately RMB149.4 million, which was offset by repayment of bank borrowings and interest paid of approximately RMB156.5 million and RMB9.0 million, respectively.

For the year ended 31 December 2016, our net cash used in financing activities was approximately RMB34.7 million. The amount was mainly attributable to the proceeds from bank borrowings of approximately RMB69.7 million, which was offset by (i) repayment of bank borrowings and interest paid of approximately RMB87.2 million and RMB7.8 million, respectively; and (ii) the decrease of net amount due to related parties of approximately RMB4.9 million.

Capital expenditures

We have financed our historical capital expenditure through cash flows generated from operating activities and bank borrowings. The following table sets forth a summary of our capital expenditures during the year:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights	8,253	—	—
Property, plant and equipment	44,131	12,829	15,730
Intangible assets	16	502	226
	52,400	13,331	15,956

Details of our plans to upgrade and enhance our production facilities for the two years ending 31 December 2017 and 2018 and the related expected capital expenditures are summarised as follows:

Expected capital expenditure	Year ending 31 December	
	2017	2018
	RMB million	*RMB million*
Settling the payment of the purchase of one production line and building one production line for production of melamine impregnated paper products	2.8	0.2
Building a new warehouse in Yandai Factory	7.0	—
Building a new production line for lamination of PVC furniture film	—	5.0
Purchasing a new equipment for solvent recovery process	2.5	—
Restructuring the existing production lines for the production of decorative paper by eliminating one existing ones and building four new ones	16.0	—
Settling the payment of the purchase of property, plant and equipment contracted for but not incurred as at 31 December 2016 (excluding the amount of one production line for production of melamine impregnated paper products included above)	2.9	—
Total	31.2	5.2

We expect that the related expected capital expenditure will be funded from a portion of the net proceeds from the Share Offer of approximately RMB33.5 million and our internal resources of approximately RMB2.9 million.

For a detailed description of our plans to upgrade and enhance our production facilities, please see the section headed "Business — Our Business Strategies" in the Prospectus.

Our expected capital expenditures are projections only and are based on the current expectations and assumptions regarding the business, the economy and other future conditions. We may make necessary adjustment depending on the existing market conditions and status of the various plans.

Receipt of government grants

During the three years ended 31 December 2016, we recognised government grants income as "other income and other gains-net" of approximately RMB0.5 million, RMB0.1 million and RMB2.5 million, respectively.

For the year ended 31 December 2014, the respective income recognised mainly represented (i) approximately RMB14,000 in relation to the construction of environmental friendly assets; (ii) industrial support subsidy of approximately RMB0.24 million; and (iii) the rest mainly related to export sales target achievement and incentive for continuous research and development projects. For the year ended 31 December 2015, the respective income recognised mainly represented approximately RMB0.1 million in relation to the construction of environmental friendly assets. For the year ended 31 December 2016, the respective income recognised mainly represented (i) approximately RMB 0.1 million in relation to the construction of environmental friendly projects; and (ii) approximately RMB2.3 million in relation to the abolishment of the use of non-environmental friendly production facilities. All these government grants are non-recurring in nature.

As at 31 December 2014, 2015 and 2016, we recorded deferred government grants of approximately RMB1.6 million, RMB1.9 million and RMB1.8 million, respectively, as non-current liabilities in our consolidated balance sheets. These government grants were arising from the construction of environmental friendly assets, which were deferred and would be recognised in the consolidated income statements on a straight line basis over the assets' useful lives.

WORKING CAPITAL

Our Directors are of the opinion that, after taking into account our internal resources, the estimated net proceeds from the Share Offer, the existing available banking facilities and the existing uncommitted facilities supported by letters of intent issued by the underlying banks, we have sufficient working capital and financial resources to meet our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT LIABILITIES

The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	35,865	31,256	37,554	52,879
Trade and other receivables	85,853	73,151	67,541	76,480
Restricted bank deposits	34,726	39,134	37,820	34,715
Cash and cash equivalents	5,782	9,124	11,344	8,126
	162,226	152,665	154,259	172,200
Current liabilities				
Trade and other payables	137,405	132,042	136,117	153,257
Short-term bank borrowings	79,770	72,730	33,200	36,600
Current portion of long-term bank borrowings	10,000	—	20,000	20,000
	227,175	204,772	189,317	209,857
Net current liabilities	(64,949)	(52,107)	(35,058)	(37,657)

Our net current liabilities decreased from approximately RMB64.9 million as at 31 December 2014 to approximately RMB52.1 million as at 31 December 2015. The decrease was mainly attributable to the decrease in balance of our short-term borrowings and the current portion of long-term bank borrowings.

Our net current liabilities further decreased from approximately RMB52.1 million as at 31 December 2015 to approximately RMB35.1 million as at 31 December 2016 as the balance of our short-term bank borrowings and current portion of long-term bank borrowings decreased further from approximately RMB72.7 million as at 31 December 2015 to approximately RMB53.2 million as at 31 December 2016.

We recorded net current liabilities in the amount of approximately RMB64.9 million, RMB52.1 million and RMB35.1 million as of 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Our net current liabilities position as of 31 December 2014, 31 December 2015 and 31 December 2016 was mainly attributable to the short-term borrowings and current portion of long-term bank borrowings of approximately RMB89.8 million, RMB72.7 million and RMB53.2 million, respectively, mainly for the purchase of machines and equipment and construction of the Yangdai Factory.

Our profit for the year increased from RMB5.3 million for the year ended 31 December 2015 to RMB20.7 million for the year ended 31 December 2016 and our net cash from operating activities increased from RMB15.7 million for the year ended 31 December 2015 to RMB34.7 million for the year ended 31 December 2016. Our Group plans to use its continuous cash inflow from operation to improve our net current liabilities position. In addition, our Group plans to reduce its reliance on the bank borrowings, although they are expected to be renewed if our Group applies for the renewal. We recorded a drop of balance of bank borrowings from RMB122.7 million as at 31 December 2015 to RMB105.2 million as at 31 December 2016. Moreover, in accordance with the note 2 to the Accountant's Report set out in Appendix I to this prospectus, all the Group's lending banks have advised their intention in writing, though not legally binding, to have the existing uncommitted facilities be available at the current terms for the period till 30 June 2018, and there is no indication that the banks will not renew the existing short-term borrowings if our Group applies for the renewal. Furthermore, our Directors plan to use the estimated net proceeds, which amounted to RMB46.7 million based on the Offer Price of HK$0.675, to enhance our Group's capital structure. With the internal resources available to us and the estimated net proceeds from the Share Offer, we expect our net current liabilities position will be improved after the Listing.

As at 30 April 2017, being the latest practicable date for determining our Group's indebtedness, the unaudited net current liabilities of our Group were approximately RMB37.7 million.

Trade and other receivables

Set forth below are our trade and other receivables balances:-

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	41,323	42,741	56,193
Less: allowance for impairment of trade receivables	(3,964)	(3,878)	(2,610)
Trade receivables, net	37,359	38,863	53,583
Amount due from related parties	39,787	12,059	800
Notes receivables	2,197	1,290	1,416
Advances to employees	2,103	1,843	4,129
Prepayments of listing expenses	184	1,082	3,207
Deposits paid to suppliers	384	14,575	1,190
Deposits for utilities and product quality assurance	44	44	1,324
Interests receivables	199	174	145
Prepayments of raw materials	51	376	274
Other receivables	3,545	2,845	1,473
	85,853	73,151	67,541

Trade receivables

Our trade receivables represent the outstanding payments from our customers on the sales of our products. For domestic customers, we generally grant our customers a credit term ranging from 30 to 60 days. For overseas customers, we generally grant our customers a credit term ranging from 60 to 90 days.

Our trade receivables increased from approximately RMB41.3 million as at 31 December 2014 to approximately RMB42.7 million as at 31 December 2015, representing an increase of approximately 3.4%. Such increase was primarily due to (i) a slower payments from certain PRC customers amid slowdown of the domestic economy in 2015; and (ii) the increase in proportion of sales to overseas customers who were generally granted a longer credit period.

Our trade receivables increased from approximately RMB42.7 million as at 31 December 2015 to approximately RMB56.2 million as at 31 December 2016 . Such increase was primarily due to more sales generated in the fourth quarter of 2016 than that in the fourth quarter in 2015.

Set forth below are our average trade receivables turnover days for the periods indicated.

Average trade receivables turnover days*(Note)*	58.6	64.2	67.8

Note: Our trade receivables turnover days are calculated as the average of the beginning and ending trade receivables balances for the year, divided by revenue for the year, multiplied by 365 days for the figures as at 31 December 2014, 2015 and 2016, respectively.

Our average trade receivables turnover days increased from approximately 58.6 days as at 31 December 2014 to approximately 64.2 days as at 31 December 2015. Such increase was primarily due to (i) a slower payments from certain PRC customers amid slowdown of the domestic economy in 2015; and (ii) the increase in proportion of overseas sales to the customers generally with a longer credit period. Our average trade receivables turnover days further increased to approximately 67.8 days as at 31 December 2016. Such increase was primarily due to (i) more sales generated in the fourth quarter of 2016 than that in the fourth quarter in 2015; and (ii) the increase in oversea sales to the customers generally with a longer credit period. We have undertaken measures aimed at reducing our trade receivables turnover days. We regularly review our customers' payment history and also review the aging of our trade receivables on a monthly basis. We believe our credit control policy is appropriate.

The following table shows the aging analysis of trade receivables of our Group:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	31,941	32,101	45,778
More than 3 months but not exceeding 1 year	6,104	6,138	6,781
More than 1 year	3,278	4,502	3,634
	41,323	42,741	56,193

The ageing analysis of trade receivables is based on the invoice date.

The table below sets forth the amounts of trade receivables that were past due but not impaired as at 31 December 2014, 2015 and 2016:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	1,828	4,387	5,090
More than 3 months but not exceeding 1 year	4,625	3,098	5,300
	6,453	7,485	10,390

As at 31 December 2014, 2015 and 2016, trade receivables of approximately RMB30.1 million, RMB27.7 million and RMB40.7 million, respectively, were fully performing.

Instead of a general provision policy, we adopt a credit control measure over the bad and doubtful debts. We make allowance for bad and doubtful debts based on the assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of the respective customer. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The details are set forth in the section headed "Business — Credit policy" in this prospectus.

As at 31 December 2014, 2015 and 2016, trade receivables of approximately RMB6.5 million, RMB7.5 million and RMB10.4 million, respectively, were past due but not impaired. These receivables related to a number of customers that have a good record with our Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2014, 2015 and 2016, trade receivables of approximately RMB4.8 million, RMB7.5 million and RMB5.1 million were impaired. Our allowance for impairment of trade receivables amounted to approximately RMB4.0 million as at 31 December 2014, approximately RMB3.9 million as at 31 December 2015, and approximately RMB2.6 million as at 31 December 2016.

Details of which are set out in note 22 to the Accountant's Report in Appendix I to this prospectus.

As at 31 May 2017, approximately RMB49.5 million or 88.1% of our trade receivable outstanding as at 31 December 2016 has been subsequently settled.

Amount due from related parties

Our amount due from related parties decreased from approximately RMB39.8 million as at 31 December 2014 to approximately RMB12.1 million as at 31 December 2015. The amount due from related parties further decreased to approximately RMB0.8 million as at 31 December 2016. The amount due from related parties is expected to be fully settled prior to the Listing. During the Track Record Period, there were two loans to Longsheng Investment and Bright Commerce, totaling approximately RMB37 million and RMB0.3 million, respectively. According to the General Lending Provision issued by the People's Bank of China (the "**Provision**"), the legal entities shall not involve lending or borrowing, or lending or borrowing in a disguised form between each other in violation of State regulations. Since Longsheng Investment, Bright Commerce and us are all legal entities, the related party loan arrangements were not in compliance with the Provision. However, as advised by our PRC Legal Adviser, the Provision is regarded as a departmental regulation and does not form part of the law or administrative regulations of the PRC. Furthermore, any breach of the Provision is not one of the circumstances of invalid contract as set out in the Contract Law of the PRC. Therefore, the breach of the Provision shall not result in the invalidity of the loan arrangements. In fact, the two loans were valid under the Contract Law of the PRC (中華人民共和國合同法) and the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) supports the validity of a loan arrangement between legal entities. The two loans were already fully repaid in 2014 and 2015, respectively.

Notes receivables

Our notes receivables represents trade related bank acceptance notes with maturity period within six months and are non-interest bearing. Our notes receivables decreased from approximately RMB2.2 million as at 31 December 2014 to approximately RMB1.3 million as at 31 December 2015, and then increased to approximately RMB1.4 million as at 31 December 2016. Details of which are set out in note 22 to the Accountant's Report in Appendix I to this prospectus. We use credit instruments (i.e. bank acceptance notes) issued by banks in the PRC obtained in the transactions with our customers to settle certain of our trade payables with our suppliers.

Advances to employees

Our advances to employee mainly represent advances to employees who work in our Group for over ten years and advances to employees for their travelling expenses in relation to business development activities. Our advances to employees decreased from approximately RMB2.1 million as at 31 December 2014 to approximately RMB1.8 million as at 31 December 2015. Such decrease was mainly due to the repayment received from the employees. Our advances to employees increased to approximately RMB4.1 million as at 31 December 2016, which was mainly due to (i) the increase in prepayment of travelling expenses to employees as a result of the expected increase in overseas marketing activities; and (ii) the advances to senior personnel who worked with us for over ten years as part of our staff benefits.

Prepayments of listing expenses

Our prepayments of listing expenses increased from approximately RMB0.2 million as at 31 December 2014 to approximately RMB1.1 million as at 31 December 2015, and further increased to approximately RMB3.2 million as at 31 December 2016.

Deposits paid to suppliers

Our deposits paid to suppliers increased from approximately RMB0.4 million as at 31 December 2014 to approximately RMB14.6 million as at 31 December 2015. Such increase was primarily attributable to the increase in deposit for the prepayment of raw materials to Supplier E of approximately RMB15.3 million with an aim to secure a stable supply of base paper. As at 31 December 2016, our deposits paid to suppliers decreased to approximately RMB1.2 million as we received full repayment of deposit for the prepayment of raw materials from Supplier E after we reaccessed our future purchase volume from Supplier E. Due to expected increasing demand of decorative paper in 2015, our Group prepaid approximately RMB15.3 million to Supplier E as advanced payment in order to secure stable supply of base paper in June of 2015. We chose Supplier E to secure stable supply of base paper and made the pre-payment to them because (i) Supplier E has been our supplier for over ten years and the cooperation has been good; (ii) Supplier E is also located in Lin'an City where our primary operating subsidiaries locate and we can obtain supply of base paper on a timely manner; and (iii) the quality of base paper supplied by Suppler E has been stable and there was no major quality issue. In the mid of 2016, we re-evaluated our cooperation with Supplier E and, due to change of our preferred base paper type, the major type of base paper supplied by Supplier E no longer fulfilled our operational need. As a result, the purchase amount from them did not meet the original estimated amount. Therefore, through negotiation, Supplier E returned us the entire outstanding prepaid amount of RMB9.3 million to us in December 2016.

Deposits for utilities and product quality assurance

Our deposits for utilities and product quality assurance increased from approximately RMB44,000 as at 31 December 2014 and 2015 to approximately RMB1.3 million as at 31 December 2016. Such increase was primarily due to the deposit paid for utilities of natural gas, as we started to replace the oil-fired boilers by the gas facilities for the power of production during 2016. They also included the deposit of RMB1.0 million paid to New Customer A for the quality assurance warranty of our products, and such deposit will be returned to us after the expiry of the trademark licensing agreement with New Customer A.

Trade and other payables

Our trade and other payables consist primarily of payables to suppliers. The following table sets forth our trade and other payables as at the indicated dates:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	40,643	37,550	44,501
Notes payables	55,348	67,209	68,925
Amounts due to related parties	17,554	6,744	246
Payables for purchase of property, plant and equipment	8,576	6,373	7,018
Accrued operating expenses	3,850	3,513	5,474
Advances from customers	3,545	1,802	2,388
Employee benefit payable	2,928	4,635	5,235
Other taxes payable	1,831	2,261	1,303
Others	3,130	1,955	1,027
	137,405	132,042	136,117

Trade payables

Our trade payables mainly relate to the purchase of raw materials from our suppliers. Our suppliers generally grant us a credit term ranging from 30 to 60 days.

Our trade payables decreased from approximately RMB40.6 million as at 31 December 2014 to approximately RMB37.6 million as at 31 December 2015. Such decrease was primarily due to the use of more bank acceptance notes to settle our purchases from suppliers. Our trade payables increased to approximately RMB44.5 million as at 31 December 2016, which was mainly due to (i) longer credit period was granted to us by certain suppliers; and (ii) more purchases were made in the fourth quarter of 2016 which is consistent with the overall increase in sales during that period.

Set forth below are our average trade payables turnover days for the periods indicated.

Average trade payable turnover days*(Note)*	70.4	83.2	84.6

Note: Our average trade payables turnover days are calculated as the average of the beginning and ending trade payable balances for the year, divided by cost of sales for the year, multiplied by 365 days for the figures as at 31 December 2014, 2015 and 2016.

Our average trade payables turnover days increased from approximately 70.4 days as at 31 December 2014 to approximately 83.2 days as at 31 December 2015. Such increase was primarily due to (i) the decrease of cost of sales, as a result of the decrease in sales volume of decorative paper and finish foil paper. Our average trade payable turnover days further increased to approximately 84.6 days as at 31 December 2016. Such increase was primarily due to (i) more purchases were made in the fourth quarter of 2016 than that in the fourth quarter in 2015 to support the increased sales; and (ii) longer credit period was granted to us by certain suppliers.

The following table shows the aging analysis of trade payables and notes payables of our Group based on the invoice date:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than three months	67,320	54,168	80,411
More than three months but not exceeding one year	28,356	50,336	32,607
More than one year	315	255	408
	95,991	104,759	113,426

As at 31 May 2017, approximately RMB42.8 million or 96.2% of our trade payables as at 31 December 2016 has subsequently been settled.

Notes payables

Our notes payables represents trade related bank acceptance with maturity period within six months and are non-interest bearing. Our notes payables increased from approximately RMB55.3 million as at 31 December 2014 to approximately RMB67.2 million as at 31 December 2015. Our notes payables increased to approximately RMB68.9 million as at 31 December 2016. Such increase was mainly due to the use of more bank acceptance notes to settle our purchases from suppliers. Details of which are set out in note 28 to the Accountant's Report in Appendix I to this prospectus.

Amount due to related parties

Our amounts due to related parties decreased from approximately RMB17.6 million as at 31 December 2014 to approximately RMB6.7 million as at 31 December 2015. The amounts due to related parties as at 31 December 2014 mainly represented dividend payable to related parties. Such amounts were partly settled during 2015. Our amounts due to related parties decreased to approximately RMB0.2 million as at 31 December 2016. All the amount due to related parties will be fully settled prior to the Listing.

Payables for purchase of property, plant and equipment

Our payables for purchase of property, plant and equipment decreased from approximately RMB8.6 million as at 31 December 2014 to approximately RMB6.4 million as at 31 December 2015. Such decrease was mainly due to the completion of construction of our Yangdai Factory in late 2014 and the corresponding payables were partially settled. Our payables for purchase of property, plant and equipment increased to approximately RMB7.0 million as at 31 December 2016. Such increase was mainly due to the construction of ancillary facilities in our Yangdai Factory in 2016.

Inventories

Our inventories comprise of raw materials, work in progress and finished goods. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories can help us deliver our products to meet the product demand in a timely manner without straining our liquidity. The value of our inventories accounted for approximately 22.1%, 20.5% and 24.3% of our total current assets as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Details of which are set out in note 21 to the Accountant's Report set out in Appendix I to the prospectus. Set forth below are our inventories balances as at the indicated dates:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	14,690	9,189	16,016
Work in progress	3,110	3,218	2,743
Finished goods	18,065	18,849	18,795
	35,865	31,256	37,554

Our inventory decreased from approximately RMB35.9 million as at 31 December 2014 to approximately RMB31.3 million as at 31 December 2015. Such decrease was mainly due to a decrease in raw materials by approximately RMB5.5 million as a result of the decrease in sales in 2015. Our inventory increased to approximately RMB37.6 million as at 31 December 2016, which was mainly due to the increase in raw material with the expectation of rising raw material price in 2017 and to meet the production demand of the early Chinese Lunar New Year in January 2017.

As at 31 May 2017, approximately RMB35.6 million or 94.8% of our inventory as at 31 December 2016 has been used or consumed subsequently.

The table below sets out our average inventory turnover days for the periods indicated:

Average inventory turnover days(Note)	69.2	71.5	71.0

Note: Our average inventory turnover days are calculated as the average of the beginning and ending balance of inventories for the year, divided by cost of sales for the year, multiplied by 365 days for the figures as at 31 December 2014, 2015 and 2016.

Our inventory turnover days increased from approximately 69.2 days as at 31 December 2014 to approximately 71.5 days as at 31 December 2015. Such increase was mainly due to the scheduled increase in the inventory of raw materials for production requirements during the first quarter of the year of 2015, longer time is required to use or consumed the inventory as the result of the decrease in sale in 2015. Our inventory turnover days remain relatively stable between 2015 and 2016.

At each balance sheet date, we state inventories at the lower of cost and net realisable value. If the cost is higher than the net realisable value, we will make the provision for inventory losses through profit or loss. If factors that resulted in the provision for the inventory have disappeared and the net realisable value therefore became higher than the book value, we will reverse the amount of write-down, and recognise the reversed amount in the income statement for the current year. As at 31 December 2014, 31 December 2015 and 31 December 2016, the write-down of inventories amounted to approximately RMB0.4 million, RMB0.5 million and RMB0.3 million, respectively.

INDEBTEDNESS

We financed our operations and construction of new production facilities through bank borrowings. Most of our bank borrowings are secured by our land use right and property, plants and equipment. The table below sets forth our group's indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Non-current:				
Secured long-term bank borrowings	40,000	50,000	52,000	52,000
Current:				
Secured current portion of long-term bank borrowings	10,000	—	20,000	20,000
Secured short-term bank borrowings	67,920	69,580	27,700	25,800
Unsecured short-term bank borrowings	11,850	3,150	5,500	10,800
Short-term bank borrowings	89,770	72,730	53,200	56,600
Total bank borrowings	129,770	122,730	105,200	108,600
Advances from related parties	4,784	4,937	246	—

Our total bank borrowings decreased by approximately RMB7.1 million or 5.5% from approximately RMB129.8 million as at 31 December 2014 to approximately RMB122.7 million as at 31 December 2015. The decrease in our bank borrowings as at 31 December 2015 was mainly attributable to repayment of bank borrowings. Our total bank borrowings further decreased by approximately RMB17.5 million or 14.3% from approximately RMB122.7 million as at 31 December 2015 to approximately RMB105.2 million as at 31 December 2016. Such decrease was mainly attributable to the repayment of bank borrowings.

The carrying amounts of the long-term bank borrowings approximate to their fair values as the market borrowing interest rate approximates to their effective interest rates. The weighted average effective interest rate of the long-term borrowings as at 31 December 2014, 2015 and 2016, and 30 April 2017 were approximately 7.03%, 6.51%, 5.86% and 5.52%, respectively.

The table below sets forth the repayment schedule of our long-term bank borrowings:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	10,000	—	20,000	20,000
Between one and two years	10,000	20,000	52,000	52,000
Between two and five years	30,000	30,000	—	—
	50,000	50,000	72,000	72,000
Within one year included in current liabilities	(10,000)	—	(20,000)	(20,000)
	40,000	50,000	52,000	52,000

As at 31 December 2014, 2015 and 2016 and 30 April 2017, our long-term borrowings were wholly repayable within five years, and were secured by property, plant and equipment and land use rights of Shenglong Decoration.

As at 31 December 2014, 2015 and 2016 and 30 April 2017, property, plant and equipment with a total net book value of approximately RMB32,215,000, RMB25,973,000, RMB15,289,000 and RMB14,912,000, respectively, were pledged as collateral for our bank borrowings. As at 31 December 2014, 2015 and 2016 and 30 April 2017, land use rights with a total net book value of approximately RMB43,670,000, RMB40,176,000, RMB43,822,000 and RMB43,411,000 were pledged as collateral for our bank borrowings.

The short-term bank borrowings of approximately RMB49,450,000, RMB36,450,000, RMB13,500,000 and RMB10,600,000 were secured by property, plant and equipment and land use rights of Shenglong Decoration as at 31 December 2014, 2015 and 2016 and 30 April 2017.

The short-term bank borrowings of approximately RMB18,470,000, RMB33,130,000, RMB14,200,000 and RMB15,200,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017 were secured by certain buildings of Longsheng Investment, a related party of our Group. The short-term bank borrowings of approximately RMB11,085,000, RMB25,900,000, RMB28,700,000 and RMB36,600,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017 were guaranteed by Mr. Sheng. As at the Latest Practicable Date, all of the above banks which had provided uncommitted banking facilities to our Group had provided in-principle consents to release the personal guarantees given by Mr. Sheng and legal charge over certain buildings owned by Longsheng Investment and replaced by corporate guarantee provided by our Company upon the Listing.

As at 30 April 2017, our Group had unutilised bank facilities of RMB62,000 for both bank borrowing and notes payable. Save as disclosed herein, and apart from intra-group liabilities, our Group did not have, as of the close of business on 30 April 2017, any outstanding loan capital issued or agreed to be issued, bank overdrafts and loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirmed that there is no material change in our indebtedness position since 30 April 2017.

As of 31 December 2015 and 2016, certain of our outstanding bank borrowings contained material financial covenants, which impose certain restrictions on the borrower's financial condition and operating results. The agreements of these bank borrowings were entered into between Shenglong Decoration and one of our lending banks, which require that: (i) Shenglong Decoration's liabilities (excluding payables to related parties within the Group) to assets ratio not exceeding 65.0%; (ii) Shenglong Decoration's current assets to current liabilities (excluding payables to related parties within the Group) ratio not less than 80.0% (or 65.0% as required in certain agreements); (iii) guarantee provided by Shenglong Decoration not exceeding RMB20 million and contingent liabilities to net assets ratio not exceeding 30.0%; (iv) long term equity investment made by Shenglong Decoration not exceeding 30.0% of its net assets.

These financial covenants may restrict our ability to borrow additional debt in the future. However, those covenants currently do not and are not expected to have a material adverse effect on our ability to renew or extend our borrowings when they fall due. Our Directors have confirmed that we have not had any default with regard to our trade or other payables or any bank borrowings, nor did we breach any financial covenants in our bank borrowings during the Track Record Period and up to the date of this Prospectus.

SUMMARY OF FINANCIAL RATIOS

	As at/for the year ended 31 December		
	2014	2015	2016
Current ratio (Note 1)	0.71 times	0.75 times	0.81 times
Quick ratio (Note 2)	0.56 times	0.59 times	0.62 times
Gearing ratio (Note 3)	1.77	1.50	1.17
Interest coverage (Note 4)	3.72 times	2.29 times	7.64 times
Return on assets (Note 5)	3.77%	1.57%	6.22%
Return on equity (Note 6)	17.57%	6.50%	23.01%
Gross profit margin (Note 7)	22.07%	20.85%	28.86%
Net profit margin (Note 8)	5.41%	2.46%	8.33%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year.

2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the respective year.

3. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year.

4. Interest coverage is calculated by the profit before interest and tax for the year divided by the finance costs (interest) for the year.

5. Return on assets is calculated by the net profit for the year divided by the total assets as at the respective year end and multiplied by 100.0%.

6. Return on equity is calculated by the net profit for the year divided by the total equity as at the respective year end and multiplied by 100.0%.

7. Gross profit margin is calculated by the gross profit for the year divided by the revenue for the respective year and multiplied by 100.0%.

8. Net profit margin is calculated by the net profit for the year divided by the revenue for the respective year and multiplied by 100.0%.

Current ratio

Our current ratio increased from approximately 0.71 times as at 31 December 2014 to approximately 0.75 times as at 31 December 2015. Such increase was mainly due to (i) the increase of our restricted bank deposits and cash and cash equivalents by approximately RMB7.8 million, offset by the decrease in trade and other receivables of approximately RMB12.7 million; and (ii) the decrease of our short-term bank borrowings and current portion of long-term bank borrowings by approximately RMB17.0 million. Our current ratio further increased to approximately 0.81 times as at 31 December 2016, which was mainly due to our short-term bank borrowings and current portion of long-term bank borrowings further decreased by RMB19.5 million.

Quick ratio

Our quick ratio increased from approximately 0.56 times as at 31 December 2014 to approximately 0.59 times as at 31 December 2015. Such increase was mainly due to (i) the increase of our pledged bank deposits and cash and cash equivalents by approximately RMB7.8 million, offset the decrease in trade and other receivables of approximately RMB12.7 million; and (ii) the decrease of our short-term bank borrowings and current portion of long-term bank borrowings by approximately RMB17.0 million. Our quick ratio further increased to approximately 0.62 times as at 31 December 2016, which was mainly due to our short-term bank borrowings and current portion of long-term bank borrowings further decreased by RMB19.5 million.

Gearing ratio

Our gearing ratio improved from approximately 1.77 as at 31 December 2014 to approximately 1.50 as at 31 December 2015. Such decrease was mainly due to the decrease of our bank borrowings by approximately RMB7.0 million. Our gearing ratio further decreased to approximately 1.17 as at 31 December 2016, which was mainly due to our short-term bank borrowings and current portion of long-term bank borrowings further decreased by RMB19.5 million.

Interest coverage

Our interest coverage decreased from approximately 3.72 times as at 31 December 2014 to approximately 2.29 times as at 31 December 2015. Such decrease was mainly due to (i) the decrease of sales and profit in 2015 as a result of the decrease in gross profit by approximately RMB7.6 million, and please refer to the paragraph headed "Gross Profit and gross profit margin" under this section; and (ii) the listing expenses of approximately RMB3.6 million. Our interest coverage increased to approximately 7.64 times as at 31 December 2016, which was mainly due to (i) the increase in our gross profit during the year; (ii) decrease in bank borrowings during the year; and (iii) the decrease in our finance expenses as a result of decrease in effective interest rate of the outstanding bank borrowings.

Return on assets

Our return on assets decreased from approximately 3.77% for the year ended 31 December 2014 to approximately 1.57% for the year ended 31 December 2015. Such decrease was mainly due to (i) the increase in total assets as a result of the construction of Yangdai Factory; (ii) the decrease of profits in 2015 as a result of the decrease in gross profit by approximately RMB7.6 million, and please refer to the paragraph headed "Gross profit and gross profit margin" under this section; and (iii) the listing expenses of approximately RMB3.6 million. Our return on assets increased from approximately 1.57% for the year ended 31 December 2015 to approximately 6.22% for the year ended 31 December 2016. Such increase was mainly due to (i) the increase of profits in 2016 as a result of the increase in gross profit by approximately RMB26.6 million, and please refer to the paragraph headed "Gross profit and gross profit margin" under this section for details; and (ii) the decrease in total assets as a result of the disposal of available-for-sale financial assets of RMB5.0 million and the disposal of investment property of Dongshan Factory of approximately RMB6.0 million.

Return on equity

Our return on equity decreased from approximately 17.57% for the year ended 31 December 2014 to approximately 6.50% for the year ended 31 December 2015. Such decrease was mainly due to (i) the decrease of profits in 2015 as a result of the decrease in gross profit by approximately RMB7.6 million, and please refer to the paragraph headed "Gross profit and gross profit margin" under this section; and (ii) the listing expenses of approximately RMB3.6 million. Our return on equity increased from approximately 6.50% for the year ended 31 December 2015 to approximately 23.01% for the year ended 31 December 2016. Such increase was mainly due to the increase of profits in 2016 as a result of the increase in gross profit by approximately RMB26.6 million, and please refer to the paragraph headed "Gross profit and gross profit margin" under this section for details.

Gross profit margin

Our gross profit margin decreased from approximately 22.07% for the year ended 31 December 2014 to approximately 20.85% for the year ended 31 December 2015. Our gross profit margin increased to approximately 28.86% for the year ended 31 December 2016. For details, please refer to the paragraphs headed "Gross profit and gross profit margin" under this section.

Net profit margin

Our net profit margin decreased from approximately 5.41% for the year ended 31 December 2014 to approximately 2.46% for the year ended 31 December 2015. Such decrease was mainly due to (i) the decrease in gross profit by approximately RMB7.6 million, and please refer to the paragraph headed "Gross profit and gross profit margin" under this section and (ii) the increase in the administrative expenses by approximately RMB3.6 million due to the increase in the employee benefit expenses, land use right tax and listing expenses, which was offset by the reduction in income tax expense by approximately RMB1.8 million. Our net profit margin, excluding listing expenses, decreased from approximately 5.8% for the year ended 31 December 2014 to approximately 4.1% for the year ended 31 December 2015. Such decrease was mainly due to aforementioned reasons save for the listing expenses.

Our net profit margin increased from 2.46% for the year ended 31 December 2015 to approximately 8.33% for the year ended 31 December 2016, which was mainly due to (i) the increase in gross profit by approximately RMB26.6 million and please refer to the paragraph headed "Gross profit and gross profit margin" under this section; and (ii) the decrease in interest expenses on borrowings in finance expenses of approximately RMB1.0 million as we secured lower interest rate bank borrowings in 2016, which was offset by (i) the increase in listing expenses in the administrative expenses by approximately RMB3.4 million; (ii) the increase in marketing and exhibition expenses in selling expenses of RMB0.9 million primarily due to the attendance of more exhibition and trade fair during 2016 and the payment of licensing fee of approximately RMB439,000 to New Customer A; and (iii) the increase in income tax expense by approximately RMB3.5 million. Our net profit margin, excluding listing expenses, increased from approximately 4.1% for the year ended 31 December 2015 to approximately 11.2% for the year ended 31 December 2016. Such increase was mainly due to aforementioned reasons save for the listing expenses.

COMMITMENTS

Capital commitments

The table below sets out the total amount of our capital expenditures contracted for but not yet incurred as at the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	15,053	5,913	3,944

Details of which are set out in note 33 to the Accountant's Report in Appendix I to the prospectus.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, we did not have any material contingent liabilities.

As at 30 April 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the date of this prospectus, save and except disclosed in this prospectus and below, we did not have any material contingent liabilities.

Save as disclosed above in the paragraph headed "Financial information — Indebtedness" in this section, we did not have, at the close of business as of 30 April 2017, being the latest practicable date for our statement of indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material adverse change in our indebtedness since 30 April 2017 and up to the date of this prospectus.

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowing or any breach of finance covenants during the

Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness and contingent liabilities since 30 April 2017, being the latest practicable date for our statement of indebtedness and up to the date of this prospectus; (iii) our Directors are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowing during the Track Record Period and up to the Latest Practicable Date; (iv) our bank borrowing are subject to standard banking conditions; and (v) our Group has not received any notice from banks indicating that they might withdraw or downsize our uncommitted banking facilities and none of our Group's uncommitted banking facilities is subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Our Directors further confirm that we had not experienced any material defaults of trade receivables (i.e. trade receivables that were considered to be non-recoverable) or cancellation of orders by our customers during the Track Record Period and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

As at 31 December 2014, 2015 and 2016, the short-term borrowings of approximately RMB18.5 million, RMB33.1 million and RMB14.2 million were secured by certain buildings of Longsheng Investment. The short-term bank borrowings of approximately RMB11.1 million, RMB25.9 million and RMB28.7 million as at 31 December 2014, 2015 and 31 December 2016, respectively, were guaranteed by Mr. Sheng. Details of which are set out in note 34 to the Accountant's Report in Appendix I to this prospectus. As at the Latest Practicable Date, both of the two banks which had provided uncommitted banking facilities to our Group had provided in-principle consents to release the personal guarantees given and legal charge over certain buildings and land use rights owned by Longsheng Investment by corporate guarantee given by our Company upon the Listing.

Amounts due from related parties

	As at 31 December					
	2014		2015		2016	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Maximum balance outstanding during the year		*Maximum balance outstanding during the year*		*Maximum balance outstanding during the year*	
Directors:						
Ms. Sheng	2,190	2,190	2,190	2,190	2,190	—
Mr. Sheng	691	—	5,500	5,491	18,772	—
Mr. Fang	—	—	—	—	257	—
Key management personnel:						
Ms. Lu Miaoling	—	—	—	—	800	800
Longsheng Investment	45,550	37,287	37,287	4,378	—	—
Bright Commerce	310	310	—	—	—	—
	48,741	39,787	44,977	12,059	22,019	800

The balance due from Longsheng Investment was unsecured and repayable on demand, and bore interest at a rate of approximately 6.0% during the year ended 31 December 2014 and bore no interest during the year ended 31 December 2015. All other balances were unsecured, interest-free, and repayable on demand during the Track Record Period. All these balances due from our related parties were non-trade in nature and is expected to be fully settled prior to the Listing.

Interest income derived from amount due from a related party

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Longsheng Investment	2,489	—	—

Amounts due to related parties

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Dividend payable to related parties:			
Longsheng Investment	7,339	—	—
Century Frontier	3,624	—	—
Mr. Sheng	1,567	1,567	—
Mr. Yu	240	240	—
Advances from related parties:			
Mr. Yu	4,774	—	—
Mr. Sheng	10	—	246
Longsheng Investment	—	4,937	—
	17,554	6,744	246

The above balances are repayable on demand and no interest bearing.

Our Directors have confirmed that all related party transactions during the Track Record Period was conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders. Details of our related party transactions are set out in note 34 of the Accountant's Report in Appendix I to this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management

Our activities exposed us to a variety of financial risks including foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk.

(i) ***Foreign exchange risk***

Our Group mainly operates in the PRC, but a significant portion of its sales is made to foreign countries, and thus our Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to US dollars, EUR and Hong Kong dollars.

Exchange rate fluctuations and market trends have always been the concern of our Group. During the three years ended 31 December 2014, 2015 and 2016, our Group did not enter into any forward exchange contracts or currency swap contracts.

We have adopted the risk management which takes into account the anticipated exposure to market risks from the change in foreign exchange, which includes a foreign exchange management policy in managing our potential currency exchange risk. Pursuant to our foreign exchange management policy, we have formed a foreign exchange management team which involves personnel from our Board and finance department. In order to minimise our exposure to these risks, the foreign exchange management team regularly and closely monitors the level of our foreign exchange risk exposure, and takes prudent measures, including entering into forward exchange contracts or currency swap contracts despite we did not have such arrangement during the Track Record Period. We had no intention to enter into any foreign exchange hedge transactions as at the Latest Practicable Date.

(ii) ***Cash flow and fair value interest rate risk***

Our Group's interest rate risk mainly arises from long-term bank borrowings. Bank borrowings at variable rates expose our Group to cash flow interest rate risk. Bank borrowings at fixed rates expose our Group to fair value interest rate risk.

As at 31 December 2014, 2015 and 2016, our Group's long-term borrowings (including its current portion) of RMB50,000,000, RMB50,000,000 and RMB72,000,000 were charged at floating rates, and the rate is subjected to annual adjustment based on the market rate.

If floating interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's net profit would have (decrease)/increase as follows:

	Year ended 31 December					
	2014		**2015**		**2016**	
	(Decrease)/increase on net profit if interest rates change by		**(Decrease)/increase on net profit if interest rates change by**		**(Decrease)/increase on net profit if interest rates change by**	
	+100 basis points	*-100 basis points*	*+100 basis points*	*-100 basis points*	*+100 basis points*	*-100 basis points*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change in net profit	(591)	591	(968)	968	(933)	933

(iii) ***Credit risk***

The carrying amounts of cash and cash equivalents, restricted bank deposit and trade and other receivables included in the consolidated balance sheets represent our Group's maximum exposure to credit risk in relation to our financial assets.

Our Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted bank deposit since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, our Group has policies to limit the credit exposure on trade and other receivables. Our Group assesses the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by our Group. In respect of customers with a poor credit history, our Group will use written payment reminders to ensure the overall credit risk of our Group is limited to a controllable extent.

(iv) ***Liquidity risk***

Our Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of our Group's liquidity reserve (comprising uncommitted banking facilities) and cash and cash equivalents on the basis of expected cash flow. Our Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

Capital risk management

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Our Group monitors capital on the basis of the gearing ratio periodically to ensure the gearing ratio is in an acceptable range. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the financial information plus net debts. Please refer to the note 3 of the Accountant's Report in Appendix I to this prospectus for details.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Share Offer as if it had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of 31 December 2016 or any future date following the Share Offer. It is prepared based on our audited consolidated net tangible assets as of 31 December 2016 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountant's Report as set out in Appendix I of this prospectus.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2016	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2016**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*Equivalent to HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on an Offer Price of HK$0.55 per Share	88,845	45,081	133,926	0.27	0.30
Based on an Offer Price of HK$0.80 per Share	88,845	71,914	160,759	0.32	0.36

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2016 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 31 December 2016 of approximately RMB90,115,000 less the intangible assets of our Group as at 31 December 2016 of approximately RMB1,270,000.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price from HK$0.55 to HK$0.80 per Offer Share, being the lower end to higher end of the stated offer price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses payable by our Company (excluding approximately RMB11,474,000 in listing expenses which has been accounted for in the consolidated income statements

prior to 31 December 2016) and takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

(3) The unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company as at 31 December 2016 per Share is determined after the adjustments referred to the preceding paragraphs and on the basis of 500,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 31 December 2016, but takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

(4) No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to 31 December 2016.

(5) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Hong Kong Dollars has been converted to RMB at the rate of HK$1 to RMB0.8945, as set out in the paragraph headed "Exchange Rate Conversion" under the section headed "Information About this Prospectus and the Share Offer" to this prospectus. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

LISTING EXPENSES

Assuming the Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including underwriting commission to be paid to the Underwriters) are estimated to be approximately RMB28.8 million. Approximately RMB8.9 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB19.9 million, which cannot be so deducted, has been or is expected to be recognised in our consolidated statement of profit or loss. Of the approximately RMB19.9 million, approximately RMB0.8 million, RMB3.6 million and RMB7.0 million have been recognised in our consolidated statements of profit or loss for the three years ended 31 December 2016, respectively, and approximately RMB8.5 million is expected to be incurred after 31 December 2016. Expenses in relation to the Listing are non-recurring in nature.

DIVIDENDS

During the year ended 31 December 2014, 2015 and 2016, Shenglong Decoration declared dividends of RMB15.0 million (which RMB3.8 million are payable to Splendecor Hong Kong), nil and nil, respectively, to its then shareholders. The whole amount was fully settled for the year ended 31 December 2016.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 31 December 2014, 2015 and 2016, we had distributable reserves of approximately nil, RMB50.5 million and RMB50.4 million, respectively. The distributable reserves represent the accumulated losses and share premium reserve of the Company.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016 (being the date to which our latest consolidated financial results were prepared as set out in the Accountant's Report in Appendix I to this prospectus) and there is no event since 31 December 2016 which would materially affect the information shown in our combined financial information included in the Accountant's Report set forth in Appendix I to this prospectus.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

The properties of our Group were valued at approximately RMB135.9 million as of 30 April 2017 by Peak Vision Appraisals Limited. Details of the valuation are summarised in Appendix III to this prospectus.

The following table sets forth the reconciliation of the amount of our property interest as reflected in the combined financial information as at 31 December 2016 as set out in Appendix I to this prospectus with the valuation of such property interests as at 31 December 2016 as set out in Appendix III to this prospectus:

	RMB'000
Net book value of our property interests (including land use rights and buildings) as at 31 December 2016 (audited):	89,912
Movement for the period from 1 January 2017 to 30 April 2017	
Addition for the period (unaudited)	4,543
Less: Depreciation for the period (unaudited)	(1,087)
Net book value of our property interests as at 30 April 2017 (unaudited)	93,368
Valuation surplus as at 30 April 2017 (unaudited)	42,532
Valuation as at 30 April 2017	135,900

BUSINESS OBJECTIVES AND STRATEGIES

To further strengthen our position in the decorative printing materials products industry by expanding our market share and enhancing our production capacity and research and development capability.

Please refer to the paragraph headed "Business Strategies" under the section headed "Business" for a detailed description of our business strategies.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events for each of the six-month periods from the Latest Practicable Date to 31 December 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and key assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk factors" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

For the period from the Latest Practicable Date to 31 December 2017

Business strategy	Implementation plan	Sources of funding
Enhance our production capacity	- settling the payment of the purchase of one production line and building one production line for production of melamine impregnated paper products	Proceeds from the Share Offer of approximately HK$3.1 million
	- building a new warehouse in Yangdai Factory	Proceeds from the Share Offer of approximately HK$7.8 million
	- purchasing another solvent recovery equipment	Proceeds from the Share Offer of approximately HK$2.8 million
	- restructuring the existing production lines for the production of decorative paper by eliminating one existing production line and building four new ones	Proceeds from the Share Offer of approximately HK$17.9 million
Explore overseas business opportunities	- attending overseas exhibitions	Internal resources

Business strategy	Implementation plan	Sources of funding
Strengthen research and development capabilities	- design and development of new products and improvement of production process - organising continuing training for our employees	Internal resources
Repayment of bank loans	- repaying two short-term bank borrowings of principal amount of RMB6.0 million due in October 2017 and RMB4.2 million due in December 2017, respectively. These two bank borrowings have the same annual interest rate of 4.968%, which are termed for working capital usage and used for purchase of raw materials in general	Proceeds from the Share Offer of approximately HK$10.0 million and internal resources

For the period from 31 December 2017 to 30 June 2018

Business strategy	Implementation plan	Sources of funding
Enhance our production capacity	- settling the payment of the purchase of one production line	Proceeds from the Share Offer of approximately HK$0.3 million
Explore overseas business opportunities	- attending overseas exhibitions	Internal resources

For the period from 30 June 2018 to 31 December 2018

Business strategy	Implementation plan	Sources of funding
Enhance our production capacity	- building a new production line for lamination of PVC furniture film	Proceeds from the Share Offer of approximately HK$5.6 million
Explore overseas business opportunities	- attending overseas exhibitions	Internal resources
Strengthen research and development capabilities	- design and development of new products and improvement of production process - organising continuing training for our employees	Internal resources

For the period from 31 December 2018 to 30 June 2019

Business strategy	Implementation plan	Sources of funding
Explore overseas business opportunities	- attending overseas exhibitions	Internal resources

For the period from 30 June 2019 to 31 December 2019

Business strategy	Implementation plan	Sources of funding
Explore overseas business opportunities	- attending overseas exhibitions	Internal resources
Strengthen research and development capabilities	- design and development of new products and improvement of production process - organising continuing training for our employees	Internal resources

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no significant changes in respect of the existing political, legal, fiscal, social or economic conditions in the PRC and other places in which our Group operates or intends to operate;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no material change in the existing laws (whether in Hong Kong, the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or PRC market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no significant change in the business relationships with our major customers and suppliers;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

- our Directors and key senior management will continue their involvement in the business and future developments of our Group and we will be able to retain our key management personnel;
- we will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus; and
- the Share Offer will be completed in accordance with and as described under the section headed "Structure and Condition of the Share Offer" in this prospectus.

REASONS FOR THE SHARE OFFER AND THE USE OF PROCEEDS

The Share Offer will enhance our capital base and provide us with additional working capital to implement the future plans set out in the subsection headed "Implementation plans" above. Our Directors also recognise the importance of maintaining a healthy cash position in view of our daily operating expenses and trade payables. Our Directors consider that the Share Offer would enhance our Group's capital structure, which in turn could broaden the debt and equity financing alternatives of our Group going forward. In addition, our Directors are of the view that the listing status of our Group would enhance our corporate image, which in turn would assist in our marketing efforts and provide a competitive edge. Our Group's listing status would also enable us to better recruit and retain experienced and high caliber staff especially in an industry where competition for such competent staff is intense.

Based on the Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.55 to HK$0.80 per Offer Share, we will receive gross proceeds of approximately HK$84.4 million. All expenses (including underwriting commissions to be paid to the Underwriters) in connection with the Listing are estimated to amount to approximately HK$32.2 million. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting commission to be paid to the Underwriters), of approximately HK$52.2 million from the Share Offer. We intend to apply such net proceeds as follows:

		For the six months ending					
	From the Latest Practicable Date to 31 December 2017	**30 June 2018**	**31 December 2018**	**30 June 2019**	**31 December 2019**	**Total**	**Approximate % of the total net proceeds**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	
Enhancing production capacity	31.6	0.3	5.6	—	—	37.5	71.8%
Repayment of bank loans	10.0	—	—	—	—	10.0	19.2%
General working capital	1.2	1.2	1.2	1.1	—	4.7	9.0%
	42.8	1.5	6.8	1.1	—	52.2	100%

Our Directors consider that the net proceeds from the issue of the Offer Shares of approximately HK$52.2 million and our internal resources will be sufficient to finance our business plans as schedule up to the year ending 30 June 2019. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer will increase or decrease to approximately HK$67.2 million or HK$37.2 million, respectively. The net proceeds are intended to be used in approximately the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range.

The net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range.

To the extent that the net proceeds from the Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with authorised financial institutions.

Our Group will issue an announcement in accordance with the requirements under the GEM Listing Rules if there is any material change in the use of proceeds as described above.

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Astrum Capital Management Limited
Gransing Securities Co., Limited

Co-managers

China Jianxin Financial Services Limited
Innovax Securities Limited
Huabang Securities Limited
Quasar Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Sole Sponsor and Joint Bookrunners (for themselves and on behalf of all the Public Offer Underwriters) shall have the absolute right by notice in writing to us to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:-

(a) There comes to the notice of the Sole Sponsor or the Joint Bookrunners:

(i) any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a material breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement by any party to the

Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters which, in any such cases, is considered, in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer; or

(ii) any matter which, had it arisen or has been discovered which, has arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission from this prospectus and/or in any notices or announcements issued by on behalf of our Company in connection with the Public Offer; or

(iii) any statement contained in this prospectus, the Application Forms, the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to be material in their absolute opinion which is discovered to be or becomes untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iv) any matter, event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the executive Directors and the Controlling Shareholders out of or in connection with any material breach, inaccuracy and/or incorrectness of the warranties and /or pursuant to the indemnities given by our Company, the Controlling Shareholders or any of them under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or

(v) any breach of any of the obligations or undertakings of any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Bookrunners or the Public Offer Underwriters; or

(vi) any material adverse change or a prospective material adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer; or

(vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued (including the Shares to be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) any person (other than the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(b) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new laws or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC, India, Kenya, Pakistan, Thailand, Africa, Asia, North America, South America, Europe and Oceania or any other jurisdictions relevant to any member of the Group (the "**Relevant Jurisdictions**"); or

(ii) any change or prospective change (whether or not permanent) in local, national, regional or international stock market conditions; or

(iii) the imposition of any moratorium, suspension or restriction or limitation on trading in securities generally on the Stock Exchange or other major stock exchanges in the United States, the United Kingdom, Japan or the PRC due to exceptional financial circumstances or otherwise; or

(iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions; or

(v) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vi) any change or development or event or a prospective change or development or event in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business; or

(vii) any change or development (whether or not permanent), or any event or series of events resulting in any change or development involving a prospective change or development , or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any of the Relevant Jurisdictions; or

(viii) a general moratorium on commercial banking business activities in any of the Relevant Jurisdictions declared by the relevant authorities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or

(ix) any event or series of events in the nature of force majeure including but without limiting the acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, tsunami, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), H5N1, H1N1, H7N9)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or

(x) a contravention by any member of our Group of the GEM Listing Rules or any applicable laws or regulations in the PRC, the Cayman Islands, Hong Kong and the BVI; or

(xi) any litigation or claim of any third party being threatened or instigated against any member of our Group, our Company, the executive Directors and/or the Controlling Shareholders; or

(xii) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xiii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(xiv) an order or petition is presented for the winding up or liquidation of our Group or any of its members, or our Group or any of its members make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xv) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any loss or damage sustained any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xvi) any material loss or damage on our Group's financial and business operations sustained by the Company or any of its Subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xvii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Public Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or

(xviii) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any action, against any Director; or

(xix) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

(xx) the chairman or chief executive officer of our Company vacating his office; or

(xxi) any prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus; or

(xxii) other than with the approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to the prospectus (or to any documents used in connection with the Share Offer) pursuant to the Companies (WUMP) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xxiii) any event which gives rise or would give rise to any liability on the part of our Company and/or the Controlling Shareholders pursuant to the indemnity provisions contained in the Public Offer Underwriting Agreement; or

(xxiv) a material breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by our Company under the Public Offer Underwriting Agreement,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and after consultation with our Company:

(a) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position, results of operation, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or

(b) has or may have or will have or is likely to have a material adverse effect on the success or the indication of level of interest in the Share Offer; or

(c) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

Underwriting pursuant to the Public Offer Underwriting Agreement

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Placing and the Public Offer and the grant and exercise of the options under the Share Option Scheme, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the date on which the Shares first commence dealing on GEM (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except for the circumstances permitted pursuant to Rule 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

(a) in within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) in within the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders further has also undertaken to our Company and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

(1) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified above, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(2) having pledged or charged any interest in the Shares under paragraph (1) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under paragraphs (1) or (2) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

Undertakings to the Sole Sponsor and the Joint Bookrunners

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sole Sponsor and the Joint Bookrunners that, unless in compliance with the GEM Listing Rules (subject to final discussion and pursuant to the Public Offer, the Capitalisation Issue or the exercise of any options that may be granted under the Share Option Scheme), he/it shall not, and shall procure that his/its associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him/it or the companies controlled by him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners:

(a) in within the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner (whether direct or indirect); and

(b) in within the period of 24 months commencing on the date on which the period referred to in paragraph (a) above expires (the first six months of which and the period referred to in paragraph (a) above are given to our Company and the Stock Exchange and is required under the GEM Listing Rules while the remaining 18 months of which is given to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent Shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of any of the securities as referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each of the Controlling Shareholders further has also undertaken to our Company, the Sole Sponsor and the Joint Bookrunners that he/it shall, and shall procure that the relevant registered holder(s) shall,

(1) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified above, inform our Company, the Sole Sponsor and the Joint Bookrunners immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(2) having pledged or charged any interest in the Shares under paragraph (1) above, inform our Company, the Sole Sponsor and the Joint Bookrunners immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under paragraphs (1) or (2) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreements.

Undertakings by our Substantial Shareholder

Mr. Ren, being our Substantial Shareholder, has undertaken to and covenanted with each of our Company, the Sole Sponsor and the Joint Bookrunners that, unless in compliance with the GEM Listing Rules, he shall not, and shall procure that his associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him or the companies controlled by him shall not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners, in within the period commencing on the date by reference to which disclosure of his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of the securities of our Company in respect of which he is shown by this prospectus to be the beneficial owner (whether direct or indirect).

Placing

Placing Underwriting Agreement

In connection with the Placing, the Controlling Shareholders, executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Joint Bookrunners and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 112,500,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

It is expected that pursuant to the Placing Underwriting Agreement, (i) our Company and (ii) each of the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed "Underwriting arrangements and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of the Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by him/her/it in the Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed "Underwriting arrangements and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions (if any). In connection with the Listing, the Sole Sponsor will receive a sponsorship fee.

Assuming the Offer Price of HK$0.675 per Offer Share, being the mid-point of the indicative range of the Offer Price Stated in this prospectus, the aggregate commissions and estimated expenses, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK$32.2 million and are payable by our Company.

Our Company has agreed to indemnify the Sole Sponsor and the Joint Bookrunners for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company of the Underwriting Agreements.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

The Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set forth in the sub-section headed "Total commission, fee and expenses" above in this section.

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group nor any interest in the Share Offer.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25.0% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 12,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed "The Public Offer" in this section; and

- the Placing of 112,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed "The Placing" in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraphs headed "Pricing and Allocation" in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$0.80 per Offer Share and not less than HK$0.55 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK$0.80 per Public Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$4,040.31 for one board lot of 5,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$0.80 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about Tuesday, 11 July 2017.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 11 July 2017 and in any event, no later than 12:00 noon on Tuesday, 11 July 2017.

If, for any reason, our Company and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 11 July 2017, the Share Offer will not proceed and will lapse.

Reduction in indicative Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, based on the book- building process and with the prior consent of our Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange and our Company a notice of reduction of the Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in the Prospectus which may change as a result of any such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 14 July 2017 on the Stock Exchange's website and on our Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares — 8. Publication of results" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, any Shares which may fall to be issued upon the exercise of the options granted under the Share Option Schemes);

- the Offer Price having been duly agreed on or around the Price Determination Date;

- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on our Company's website on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Friday, 14 July 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 17 July 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for Termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 12,500,000 Public Offer Shares at the Offer Price, representing 10.0% of the 125,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Public Offer" in this section.

Allocation

The Public Offer is open for subscription to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 100.0% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 5 times or more but less than 10 times, (ii) 10 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 37,500,000 Shares and 62,500,000 Shares, respectively, representing 30% (in the case of (i)) and 50% (in the case of (ii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deems appropriate.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Applications

The Joint Bookrunners (for themselves on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 112,500,000 Shares, representing 90.0% of the total number of the Offer

Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in paragraphs headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 17 July 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 17 July 2017. The Shares will be traded in board lots of 5,000 Shares.

1. HOW TO APPLY

To apply for Public Offer Shares, you may:

— use a **WHITE** or **YELLOW** Application Form;

— electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

— are 18 years of age or older;

— have a Hong Kong address;

— are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act); and

— are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including the provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

— an existing beneficial owner of shares in our Company and/or any of its subsidiaries;

— a director or chief executive officer of our Company and/or any of its subsidiaries;

— a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Public Offer;

— an associate (as defined in the GEM Listing Rules) of any of the above; or

— have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017:

(i) the following address of the Public Offer Underwriters:

Underwriters' name	**Address**
Astrum Capital Management Limited	Room 2704, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Gransing Securities Co., Limited	17/F Hing Yip Commercial Centre 272-284 Des Voeux Road Central Hong Kong
China Jianxin Financial Services Limited	Room 907, Wing On Centre 111 Connaught Road Central Hong Kong
Innovax Securities Limited	Unit A-C, 20/F, Neich Tower 128 Gloucester Road Wan Chai Hong Kong
Huabang Securities Limited	Room 1708-13, 17/F Nan Fung Tower 88 Connaught Road Central Hong Kong

Quasar Securities Co., Limited	Unit A, 12/F, Harbour Commercial Building 122-124 Connaught Road Central Hong Kong

(ii) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — SHENGLONG SPLENDECOR PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 30 June 2017	**—**	**9:00 a.m. to 5:00 p.m.**
Monday, 3 July 2017	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 4 July 2017	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 5 July 2017	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 6 July 2017	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 July 2017, the last application day or such later time described in the paragraphs under "7. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, and the Joint Bookrunners, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the paragraphs under "Personal collection" in this section to collect Share certificate and/or refund cheque;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for further information.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application** instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;

- (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (WUMP) Ordinance, the Companies Law and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 June 2017 — 9:00 a.m. to 8:30 p.m.(1)
Monday, 3 July 2017 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 4 July 2017 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 5 July 2017 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, 6 July 2017 — 8:00 a.m.(1) **to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 6 July 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

— an account number; or

— some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

— the principal business of that company is dealing in securities; and

— you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

— control the composition of the board of directors of our company;

— control more than half of the voting power of our company; or

— hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or electric application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further information on the Offer Price is set forth in the section headed "Structure and conditions of the Share Offer — Pricing and allocation" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

— a tropical cyclone warning signal number 8 or above; or

— a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 14 July 2017 on our Company's website (**www.splendecor.com**) and the Stock Exchange's website (**www.hkexnews.hk**).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

— in the announcement to be posted on our Company's website (**www.splendecor.com**) and the Stock Exchange's website (**www.hkexnews.hk**) by no later than 8:00 a.m. on Friday, 14 July 2017;

— from the designated results of allocations website (**www.tricor.com.hk/ipo/result**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 14 July 2017 to 12:00 midnight on Thursday, 20 July 2017;

— by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 14 July 2017 to Wednesday, 19 July 2017 (excluding Saturday and Sunday);

— in the special allocation results booklets which will be available for inspection during opening hours from Friday, 14 July 2017 to Monday, 17 July 2017 at designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Conditions of the Public Offer are set forth in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Department does not grant permission to list the Shares either:

— within three weeks from the closing date of the application lists; or

— within a longer period of up to six weeks if the Listing Department notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

— you make multiple applications or suspected multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;

— your Application Form is not completed in accordance with the stated instructions;

— your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

— any of the Underwriting Agreements does not become unconditional or are terminated;

— our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

— you apply for more than 12,500,000 Public Offer Shares.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.80 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or about Friday, 14 July 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

— Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

— refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or about Friday, 14 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 17 July 2017 provided that the Public Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 14 July 2017 or such other date as announced by our Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 14 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 14 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Friday, 14 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

— If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph "10. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 14 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply via electronic application instructions to HKSCC**

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 14 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Friday, 14 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 14 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 14 July 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 14 July 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

30 June 2017

The Directors
Shenglong Splendecor International Limited

Messis Capital Limited

Dear Sirs,

We report on the financial information of Shenglong Splendecor International Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2014, 2015 and 2016, the balance sheet of the Company as at 31 December 2014, 2015 and 2016, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 17 June 2015, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No statutory audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2014, 2015 and 2016, and of the consolidated financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Group's consolidated financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as of 31 December 2014, 2015 and 2016, and for each of the years ended 31 December 2014, 2015 and 2016, presented on the basis set out in Section II below.

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		
	Notes	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	238,863	216,598	248,773
Cost of sales	8	(186,146)	(171,440)	(176,977)
Gross profit		52,717	45,158	71,796
Selling expenses	8	(12,426)	(11,197)	(14,313)
Administrative expenses	8	(25,154)	(28,791)	(34,814)
Other income and other gains — net	7	5,994	5,935	6,411
Operating profit		21,131	11,105	29,080
Finance income	10	885	670	451
Finance expenses	10	(6,593)	(5,786)	(4,641)
Finance expenses-net	10	(5,708)	(5,116)	(4,190)
Profit before income tax		15,423	5,989	24,890
Income tax expense	12	(2,507)	(670)	(4,159)
Profit for the year		12,916	5,319	20,731
Profit attributable to				
- Owners of the Company		12,308	5,391	20,731
- Non-controlling interests		608	(72)	—
		12,916	5,319	20,731
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)				
- Basic and diluted	13	0.123	0.054	0.207

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		12,916	5,319	20,731
Other comprehensive income				
Items that may be reclassified to profit or loss				
Reclassification of fair value gain of available-for-sale financial assets upon disposal		(1,066)	—	—
Currency translation differences		5	(87)	(378)
Other comprehensive income for the year, net of tax		(1,061)	(87)	(378)
Total comprehensive income for the year		11,855	5,232	20,353
Total comprehensive income for the year attributable to:				
- Owners of the Company		11,247	5,304	20,353
- Non-controlling interests		608	(72)	—
		11,855	5,232	20,353

CONSOLIDATED BALANCE SHEETS

		As at 31 December		
	Notes	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Land use rights	14	48,723	47,476	43,822
Prepayments for land use rights	14	4,900	4,900	4,900
Property, plant and equipment	16	108,503	118,377	125,886
Prepayments for property, plant and equipment		3,093	—	—
Investment property	17	6,364	6,035	—
Intangible assets	18	906	1,240	1,270
Deferred income tax assets	30	2,600	2,818	3,091
Available-for-sale financial assets	20	5,000	5,000	—
		180,089	185,846	178,969
Current assets				
Inventories	21	35,865	31,256	37,554
Trade and other receivables	22	85,853	73,151	67,541
Restricted bank deposits	23	34,726	39,134	37,820
Cash and cash equivalents	23	5,782	9,124	11,344
		162,226	152,665	154,259
Total assets		342,315	338,511	333,228
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	24	310	790	790
Other reserves	25	34,781	34,442	37,901
Retained earnings		27,775	32,661	51,424
		62,866	67,893	90,115
Non-controlling interests	11	10,652	13,950	—
Total equity		73,518	81,843	90,115

	Notes	As at 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000
LIABILITIES				
Non-current liabilities				
Long-term bank borrowings	26	40,000	50,000	52,000
Deferred government grants	27	1,622	1,896	1,796
		41,622	51,896	53,796
Current liabilities				
Trade and other payables	28	137,405	132,042	136,117
Short-term bank borrowings	29	79,770	72,730	33,200
Current portion of long-term bank borrowings	26	10,000	—	20,000
		227,175	204,772	189,317
Total liabilities		268,797	256,668	243,113
Total equity and liabilities		342,315	338,511	333,228
Net current liabilities		(64,949)	(52,107)	(35,058)
Total assets less current liabilities		115,140	133,739	143,911

BALANCE SHEET OF THE COMPANY

		As at 31 December		
	Notes	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investments in subsidiaries	15	—	54,349	58,029
Current assets				
Amount due from a shareholder	22	310	—	—
Cash and cash equivalents		19	20	17
		329	20	17
Total assets		329	54,369	58,046
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	24	310	790	790
Other reserve	25	—	53,559	57,267
Accumulated losses		(6)	(7)	(40)
Total equity		304	54,342	58,017
LIABILITIES				
Current liabilities				
Other payables		25	27	29
Total equity and liabilities		329	54,369	58,046
Net current assets/(liabilities)		304	(7)	(12)
Total assets less current liabilities		304	54,342	58,017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity owners of the Company					
	Share capital (Note 24) *RMB'000*	Other reserves (Note 25) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests (Note 11) *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2014	310	34,746	27,713	62,769	10,044	72,813
Comprehensive income						
Profit for the year	—	—	12,308	12,308	608	12,916
Other comprehensive income						
Reclassification of fair value gain of available-for-sale financial assets upon disposal	—	(1,066)	—	(1,066)	—	(1,066)
Currency translation differences	—	5	—	5	—	5
Total other comprehensive income, net of tax	—	(1,061)	—	(1,061)	—	(1,061)
Total comprehensive income	—	(1,061)	12,308	11,247	608	11,855
Transactions with owners in their capacity as owners						
Appropriation to statutory reserves	—	1,096	(1,096)	—	—	—
Dividends(Note 31)	—	—	(11,150)	(11,150)	—	(11,150)
Total transactions with owners in their capacity as owners	—	1,096	(12,246)	(11,150)	—	(11,150)
Balance at 31 December 2014	310	34,781	27,775	62,866	10,652	73,518
Balance at 1 January 2015	310	34,781	27,775	62,866	10,652	73,518
Comprehensive income						
Profit for the year	—	—	5,391	5,391	(72)	5,319
Other comprehensive income						
Currency translation differences	—	(87)	—	(87)	—	(87)
Total comprehensive income	—	(87)	5,391	5,304	(72)	5,232
Transactions with owners in their capacity as owners						
Issuance of new shares	790	50,477	—	51,267	—	51,267
Repurchase and cancellation of previous issued shares	(310)	—	—	(310)	—	(310)
Deemed distribution to shareholders	—	(51,187)	—	(51,187)	—	(51,187)
Appropriation to statutory reserves	—	505	(505)	—	—	—
Acquisition of non-controlling interests	—	(47)	—	(47)	(253)	(300)
Capital injection from non-controlling interests	—	—	—	—	3,623	3,623

	Attributable to equity owners of the Company					
	Share capital (Note 24) *RMB'000*	**Other reserves (Note 25)** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests (Note 11)** *RMB'000*	**Total equity** *RMB'000*
Total transactions with owners in their capacity as owners	480	(252)	(505)	(277)	3,370	3,093
Balance at 31 December 2015	790	34,442	32,661	67,893	13,950	81,843
Balance at 1 January 2016	790	34,442	32,661	67,893	13,950	81,843
Comprehensive income						
Profit for the year	—	—	20,731	20,731	—	20,731
Other comprehensive income						
Currency translation differences	—	(378)	—	(378)	—	(378)
Total comprehensive income	—	(378)	20,731	20,353	—	20,353
Transactions with owners in their capacity as owners						
Appropriation to statutory reserves	—	1,968	(1,968)	—	—	—
Acquisition of non-controlling interests	—	1,869	—	1,869	(13,950)	(12,081)
Total transactions with owners in their capacity as owners	—	3,837	(1,968)	1,869	(13,950)	(12,081)
Balance at 31 December 2016	790	37,901	51,424	90,115	—	90,115

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000
Cash flows from operating activities				
Cash generated from operations	32(a)	16,782	19,470	38,070
Income tax paid		(4,556)	(3,760)	(3,417)
Net cash generated from operating activities		12,226	15,710	34,653
Cash flows from investing activities				
Purchase of land use rights		(8,253)	—	—
Purchase of property, plant and equipment		(44,131)	(12,829)	(15,730)
Purchase of intangible assets		(16)	(502)	(226)
Payment of amount due from related parties		(3,395)	(24,026)	(16,577)
Proceeds from disposal of property, plant and equipment	32(b)	—	287	212
Proceeds from disposals of investment property and land use rights	32(c)	—	—	9,145
Proceed from disposal of available-for-sale financial assets		—	—	5,000
Decrease/(increase) in restricted bank deposits		8,072	(4,408)	1,314
Receipt of amount due from related parties		17,456	44,068	16,070
Government grants received		1,933	384	2,382
Interest received		885	670	451
Net cash (used in)/generated from investing activities		(27,449)	3,644	2,041
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	24(b)	—	37,418	—
Deemed distribution to shareholders	25(c)	—	(37,337)	—
Proceeds from bank borrowings		140,278	149,410	69,700
Repayments of bank borrowings		(117,328)	(156,450)	(87,230)
Payment of acquisition of non-controlling interests of Jiayou	25(d)	—	(300)	—
Receipt of amount due to related parties		21,400	17,734	3,063
Payment of amount due to related parties		(17,134)	(17,063)	(8,000)
Interest paid		(9,416)	(8,969)	(7,831)
Dividends paid to the Company's shareholders		—	—	(2,887)
Payment for listing expenses		(165)	(480)	(1,472)
Net cash generated from/(used in) financing activities		17,635	(16,037)	(34,657)
Net increase in cash and cash equivalents		2,412	3,317	2,037
Cash and cash equivalents at beginning of the year		3,378	5,782	9,124
Exchange (losses)/gains on cash and cash equivalents		(8)	25	183
Cash and cash equivalents at end of the year		5,782	9,124	11,344

II. NOTES TO THE FINANCIAL INFORMATION

1 General information and group reorganisation

1.1 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 address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the manufacturing and sales of decorative printing materials products in the People's Republic of China ("PRC") and overseas (the "Listing Business"). The ultimate holding company of the Company is Bright Commerce Investment Limited ("Bright Commerce"). Bright Commerce is a company incorporated in the British Virgin Islands ("BVI") with limited liability on 17 July 2013 and is wholly-owned by Mr. Sheng Yingming (盛英明, "Mr. Sheng" or "Controlling Shareholder").

The Financial Information is presented in Renminbi (RMB), unless otherwise stated.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

1.2 Reorganisation

Prior to the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was principally operated by Zhejiang Shenglong Decoration Material Co., Ltd. ("Shenglong Decoration") and its subsidiaries including Hangzhou Jiayou Art Company Limited ("Jiayou Art") and Hangzhou Splendor Decoration Material Co., Ltd. ("Splendor Decoration") (together, the "Shenglong Group"), which were ultimately controlled by Mr. Sheng throughout the Relevant Periods.

Shenglong Group was owned by Mr. Sheng, Hangzhou Longsheng Investment Company Limited ("Longsheng Investment") which was a company incorporated in the PRC with limited liability on 17 October 2002 and wholly-owned by Mr. Sheng, Splendecor Hong Kong Limited ("Splendecor Hong Kong") which was a company incorporated in Hong Kong with limited liability on 8 July 2013 and ultimately wholly-owned by Mr. Ren Yunan ("Mr. Ren"), Mr. Jiang Guoliang ("Mr. Jiang"), Mr. Wang Huiyong ("Mr. Wang"), Mr. Yu Zemin ("Mr. Yu") and Ms. Wang Bingqin, respectively, before the Reorganisation.

On 25 July 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of USD50,000 divided in 50,000 shares with a par value of USD1.00 each. Bright Commerce subscribed all above authorised shares of the Company but did not pay related consideration. Subsequently, the Company repurchased all 50,000 authorised and issued shares and cancelled all such shares on 20 April 2015. On 20 April 2015, new authorised share capital of HK$100,000,000 divided into 1,000,000,000 shares with a par value of HK$0.10 each were created.

Haoyu Capital Limited ("Haoyu Capital") was a company incorporated in the BVI with limited liability on 26 June 2013 and wholly-owned by Mr. Ren before the Reorganisation. Splendecor Hong Kong was wholly-owned by Haoyu Capital. Haoyu Capital and Splendecor Hong Kong have not been involved in any other business prior to the Reorganisation.

In preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Reorganisation was undertaken pursuant to which all companies engaged in the Listing Business were transferred to the Company. The Reorganisation principally involved the following steps:

(a) On 3 January 2014, Immense Global Limited ("Immense Global") was incorporated in the BVI with limited liability and wholly-owned by Mr. Wang.

(b) On 28 February 2014, Well Power Ventures Limited ("Well Power") was incorporated in the BVI with limited liability and wholly-owned by Mr. Yu.

(c) On 7 April 2014, Pioneer Treasure Holdings Limited ("Pioneer Treasure") was incorporated in the BVI with limited liability and wholly-owned by Mr. Jiang.

(d) On 21 January 2015, Shenglong Decoration entered into an equity transfer agreement to acquire from Longsheng Investment 10% equity interest in Jiayou Art at a consideration of RMB300,000. After the transfer, Jiayou Art became a wholly-owned subsidiary of Shenglong Decoration.

(e) On 20 April 2015, Bright Commerce subscribed for 6,398,550 shares of HK$0.10 par value each of the Company at a total consideration of HK$41,507,896.60.

On the same date, each of Pioneer Treasure, Immense Global and Well Power subscribed for 300,000 shares of HK$0.10 par value each of the Company at a consideration of HK$1,946,123.58, respectively.

(f) On 20 April 2015, the Company and Mr. Ren entered into a share swap agreement, pursuant to which the Company agreed to acquire the entire issued share capital of Haoyu Capital for a consideration of HK$17,524,518.44 by the allotment and issuance of 2,701,450 shares of HK$0.10 par value each of the Company to Mr. Ren.

After the acquisition, Splendecor Hong Kong became an indirect wholly-owned subsidiary of the Company.

(g) On 8 May 2015, Splendecor Hong Kong entered into equity transfer agreements to acquire RMB10.104 million, RMB2.696 million, RMB0.6195 million, RMB0.6195 million, RMB0.6195 million and RMB0.413 million in the registered capital of Shenglong Decoration, respectively from Longsheng Investment, Mr. Sheng, Ms. Wang Bingqin, Mr. Jiang, Mr. Wang and Mr. Yu, at respective considerations of RMB25,031,058.38, RMB6,678,912.65, RMB1,534,713.05, RMB1,534,713.05, RMB1,534,713.05 and RMB1,023,142.03. The acquired interests correspondingly represented approximately 48.93%, 13.06%, 3%, 3%, 3% and 2% of equity interest in Shenglong Decoration. Thereafter, Ms. Wang Bingqin and Longsheng Investment ceased to be the shareholders of any companies within the Group. The transfers were completed upon the registration of changes with the local administration for market supervisory of Hangzhou City, Zhejiang Province on 17 June 2015.

Upon the acquisition, Shenglong Decoration became a direct wholly-owned subsidiary of Splendecor Hong Kong and an indirect wholly-owned subsidiary of the Company, and was registered as a wholly foreign-owned enterprise in the PRC.

After the completion of the Reorganisation, all companies engaged in the Listing Business are owned by the Company, and the Company became the holding company of the Group.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities	Registered/ paid up capital	Proportion of ownership interest 31 December 2014	2015	2016	Statutory auditors	Years as auditors
Directly held by the Company											
Haoyu Capital		26 June 2013	Limited liability	BVI	Investment holding	—	NA	100%	100%	Note(i)	Note(i)
Indirectly held by the Company											
Splendecor Hong Kong	盛龍新材料香港有限公司	8 July 2013	Limited liability	HK	Investment holding	HK$10,000	NA	100%	100%	Note(ii)	Note(ii)
Shenglong Decoration	浙江盛龍裝飾材料有限公司	19 November 1996	Limited liability	PRC	Manufacturing and sales of decorative printing materials products	RMB20,650,000	100%	100%	100%	Note(iii)	Note(iii)
Splendor Decoration	杭州錦秀裝飾材料有限公司	23 November 1999	Limited liability	PRC	Manufacturing and sales of decorative printing materials products	RMB20,760,000	75%	68.56%	100%	Note(iii)	Note(iii)
Jiayou Art	杭州嘉友藝術品有限公司	28 June 2011	Limited liability	PRC	Manufacturing and sales of craft pictures	RMB3,000,000	90%	100%	100%	Note(i)	Note(i)

Notes:

(i) No audited financial statements have been prepared for these companies as there are no statutory audit requirement under their places of incorporation.

(ii) The statutory financial statements of Splendecor Hong Kong for the years ended 31 December 2014, 2015 and 2016 were audited by Albert Wong & Co.

(iii) The statutory financial statements of these companies for the years ended 31 December 2014, 2015 and 2016 were audited by Hangzhou Qianwang Certified Public Accountants Co., Ltd.

1.3 **Basis of presentation**

Immediately prior to and after the Reorganisation, the Listing Business is conducted through the Shenglong Group. Pursuant to the Reorganisation, the Listing Business are transferred to and held by the Company. The Company and other holding companies newly set up or acquired in the reorganisation has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Group and, for the purpose of this report, the Financial Information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 **Basis of preparation**

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

2.1.1 ***Going concern***

The Group's current liabilities exceeded its current assets by RMB64.9 million, RMB52.1 million and RMB35.1 million as at 31 December 2014, 2015 and 2016, respectively. As at 31 December 2016, the Group had capital commitments amounting to RMB3.9 million in relation to the acquisition of equipment. The directors of the Company have reviewed the Group's cash flow forecast covering a period of not less than twelve months from 31 December 2016; and have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the Financial Information based on the following assessments:

(a) As at 31 December 2016, the Group's total borrowings amounted to RMB105.2million, of which RMB53.2 million will be due within twelve months from 31 December 2016, and the Group's bank acceptance notes payable amounted to RMB68.9 million which were pledged by the Group's bank deposits of RMB37.8 million. The Group has not experienced any significant difficulties in renewing its bank borrowings upon their maturities and issuing its bank acceptance notes. In addition, all the Group's lending banks have advised their intention in writing, though not legally binding, to have the existing uncommitted facilities be available at the current terms for the period till 31 July 2018. There is no indication that the banks will not renew the existing bank borrowings if the Group applies for the renewal. Subsequent to the balance sheet date and up to the date of this report, the Group has renewed short-term borrowings of approximately RMB42.4 million for another six or twelve months, and issued new bank acceptance notes of RMB50.1 million.

(b) The directors also expect that sufficient sales orders will be secured in the coming year such that net operating cash inflows will be generated from its existing production facilities.

Accordingly, the Group expects to have sufficient working capital for its present requirements for at least the next 12 months from 31 December 2016. Based on the above considerations, the directors of the Company are of the opinion that the Group will continue as a going concern and have prepared the Financial Information on a going concern basis.

2.1.2 ***New/revised standards, amendments to standards and interpretations***

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2016 are consistently applied to the Group for the Relevant Periods.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 January 2016. They are relevant to the Group but have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to HKFRSs 2014-2016 Cycle	Clarifying the scope of HKFRS 12	1 January 2017
	Retirement of short-term exemptions in HKFRS 1	1 January 2018
	Clarifying measurement of investments under HKAS 28	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

As at 31 December 2016, all of the Group's financial assets and financial liabilities were carried at amortization cost, therefore, management does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

As at 31 December 2016, the Group does not have any hedging instruments, and does not expect a significant impact arising from the new hedge accounting rules on the accounting for tis hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses, but the Group does not expect the impact will be significant.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

HKFRS 15, "Revenue from Contracts with Customers"

This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is sales of goods, the performance obligations of this revenue is currently recognised in accordance with Note 2.23. Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. However at the reporting date, the Group has no non-cancellable operating lease commitments.

The new standard is mandatory for financial years commencing on or after 1 January 2019.

The Group does not plan to early adopt any of these standards. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations upon adoption of the other new, amended and revised HKFRSs mentioned above.

2.2 **Subsidiaries**

2.2.1 ***Consolidation***

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Merger accounting for common control combination*

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the board of directors of the Company that make strategic decisions.

2.4 **Foreign currency translation**

(a) ***Functional and presentation currency***

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Hong Kong dollar ("HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Relevant Periods are within the PRC, the Group determined to present its Financial Information in RMB (unless otherwise stated).

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statements within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statements within 'other income and other gains — net'.

(c) ***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transaction); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.5 **Land use rights**

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statements over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.6 **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation, net of any impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives	Residual values
Buildings	20-25 years	5%
Machinery and equipment	10 years	5%
Furniture and other equipment	5 years	5%
Motor vehicles	5 years	5%

Assets under construction represent buildings on which construction work has not been completed and plant, machinery and equipment pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, assets under construction are transferred to the appropriate categories of property, plant and equipment at cost, net of impairment losses, if any. No depreciation is charged for assets under construction until they are completed and available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains-net' in the consolidated income statements.

2.7 **Investment property**

Investment property, principally comprising buildings that are held for the purpose of lease, are measured initially at cost. Subsequent expenditures incurred in relation to investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment property. Buildings are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives and the estimated net residual values expressed as a percentage of cost of the investment property are as follows:

	Useful lives	Residual values
Buildings	20 years	—

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the amortisation method applied are reviewed and adjusted as appropriate at each year-end.

2.8 **Intangible assets**

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method or other more appropriate methods that can reflect the pattern in which the asset's economic benefits are expected to be realised over its estimated useful life.

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

Intangible assets represent the patents and computer software measured at historical costs.

2.8.1 ***Patent***

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new products and technique) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the new products and technique so that it will be available for use;
- management intends to complete the new products and technique and use or sell it;
- there is an ability to use or sell the new products and technique;
- it can be demonstrated how the new products and technique will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the new products and technique are available; and
- the expenditure attributable to the new products and technique during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

Directly attributable costs that are capitalised include the patent registration fee and the expenditure that is directly attributable to the registration of the patent.

The patent are amortised when it is ready for use on a straight-line basis over their estimated useful lives over 10 to 20 years.

2.8.2 ***Computer software***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 10 years on a straight-line basis.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 ***Classification***

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group only had financial assets classified as loans and receivables and available for sale during the Relevant Periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, these are classified as non-current. The Group's loans and receivables comprise trade and other receivables, restricted bank deposits and cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 ***Recognition and measurement***

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statements as "other income and other gains — net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statements as part of other income when the Group's right to receive payments is established.

2.11 **Impairment of financial assets**

(a) ***Assets carried at amortised cost***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

(b) ***Assets classified as available for sale***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statements — is removed from equity and recognised in consolidated income statements. Impairment losses recognised in the consolidated income statements on equity instruments are not reversed through the consolidated income statements.

2.12 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.14 **Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Restricted bank deposits are excluded from cash and cash equivalents.

2.15 **Restricted bank deposits**

Restricted bank deposits represent deposits held by the bank in a segregated account as security for issuing bank acceptance. Such restricted bank deposits will be released when the Group repays the related notes payables.

2.16 **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 **Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in consolidated income statements in the period in which they are incurred.

2.20 **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statements on a straight- line basis over the expected lives of the related assets.

2.21 **Current and deferred income tax**

The tax expense for the period comprised current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 **Employee benefits**

The Group operates various defined contribution plans, including pension obligations, housing funds, medical insurances and other social insurances.

(a) ***Pension obligations***

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognized as employee benefit expense when they are due.

(b) ***Housing funds, medical insurances and other social insurances***

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.23 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

(a) ***Sales of goods***

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) ***Rental income***

Rental income from the investment property is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

(c) ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(d) ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

2.24 **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.25 **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 **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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board of Directors (the "Board"). The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) ***Market risk***

(i) *Foreign exchange risk*

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 dollar ("USD"), Euro ("EUR") and Hong Kong dollar ("HK$").

Exchange rate fluctuations and market trends have always been the concern of the Group. The Group regularly and closely monitors the level of our foreign exchange risk exposure, and may take prudent measures, including entering into forward exchange contracts or currency swap contracts despite the Group did not have such arrangements during the three years ended 31 December 2014, 2015 and 2016.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	22,003	26,281	29,540
HK$	403	1,321	2,968
EUR	251	294	427
Total	22,657	27,896	32,935
Liabilities			
USD	253	776	632
HK$	289	478	572
EUR	76	76	302
Total	618	1,330	1,506

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable had been held constant, the profit before income tax would (decrease)/increase as follows:

	Year ended 31 December					
	2014		**2015**		**2016**	
	(Decrease)/increase on profit before income tax if exchanges rates change by		*(Decrease)/increase on profit before income tax if exchanges rates change by*		*(Decrease)/increase on profit before income tax if exchanges rates change by*	
	+5%	*-5%*	*+5%*	*-5%*	*+5%*	*-5%*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
USD	(1,088)	1,088	(1,275)	1,275	(1,445)	1,445
HK$	(6)	6	(42)	42	(120)	120
EUR	(9)	9	(11)	11	(6)	6

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk mainly arises from long-term bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2014, 2015 and 2016, the Group's long-term borrowings (including its current portion) of RMB50,000,000, RMB50,000,000 and RMB72,000,000 were charged at floating rates, and the rate is subjected to annual adjustment based on the market rate.

At 31 December 2014, 2015 and 2016, if floating interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's net profit for the year ended 31 December 2014, 2015 and 2016 would have been approximately RMB591,000, RMB968,000 and RMB933,000 lower/higher.

(b) ***Credit risk***

The carrying amounts of cash and cash equivalents, restricted bank deposits and trade and other receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted bank deposits since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade and other receivables. The Group assess the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(c) ***Liquidity risk***

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising uncommitted banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Bank borrowings (including interest payable upon maturity)	95,795	12,761	32,645	141,201
Trade and other payables excluding non-financial liabilities	129,101	—	—	129,101
Total	224,896	12,761	32,645	270,302

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015				
Bank borrowings (including interest payable upon maturity)	77,759	22,327	30,809	130,895
Trade and other payables excluding non-financial liabilities	123,344	—	—	123,344
Total	201,103	22,327	30,809	254,239

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
Bank borrowings (including interest payable upon maturity)	57,636	53,377	—	111,013
Trade and other payables excluding non-financial liabilities	127,191	—	—	127,191
Total	184,827	53,377	—	238,204

3.2 **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio periodically to ensure the gearing ratio is in an acceptable range. This ratio is calculated as interest-bearing liabilities divided by total equity.

The gearing ratios as at 31 December 2014, 2015 and 2016 are as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	129,770	122,730	105,200
Total interest-bearing liabilities	129,770	122,730	105,200
Total equity	73,518	81,843	90,115
Gearing ratio	177%	150%	117%

4 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).

As at 31 December 2014, 2015 and 2016, the Group had no level 1 or level 2 financial instruments and the only level 3 financial instrument represented the available-for-sale financial assets. The available-for-sale financial assets are stated at fair value at each balance sheet date (Note 20).

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 (Note 26).

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.

5 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) ***Income taxes and deferred taxation***

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

(b) ***Impairment of receivables***

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

6 Revenue and segment information

The board of directors of the Group 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 is only one operating segment, under the requirements of HKFRS 8, Operating Segments.

All the revenue is from sales of goods. All non-current assets are located in PRC.

For the year ended 31 December 2014, no customer individually accounted for more than 10% of the Group's total revenue. Analysis of the customer that contributed more than 10% of the Group's total revenue during the year ended 31 December 2015 and 2016 are set out below:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	—	24,122	25,285

The Group's five largest customers accounted for approximately 20.7%, 26.3% and 26.0% of the Group's total revenue for each of the years ended 31 December 2014, 2015 and 2016, respectively.

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

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
PRC	98,353	67,119	86,293
Pakistan	70,640	84,916	89,331
India	20,817	19,518	18,045
Kenya	9,272	7,651	9,168
Thailand	3,733	3,993	7,776
Other countries	36,048	33,401	38,160
	238,863	216,598	248,773

7 Other income and other gains - net

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Interest income derived from amount due from a related party (Note 34(b)(iii))	2,489	—	—
Income of sales of scrap and surplus materials	1,799	1,288	1,597
Gain from disposal of available-for-sale financial assets	1,066	—	—
Rental income (Note 17)	989	1,020	407
Government grants income including amortisation of deferred government grants (Note 27)(i)	546	110	2,482
Foreign exchange gains	147	3,659	2,864
Loss on disposal of property, plant and equipment (Note 32(b))	(1,279)	(76)	(1,796)
Gain on disposal of investment property and land use rights (Note 32(c))	—	—	855
Others	237	(66)	2
	5,994	5,935	6,411

(i) Out of the grants the Group obtained from local governments and recognised directly as income during the Relevant Periods, RMB2,382,000 was received in the year ended 31 December 2016 to compensate the losses incurred by the Group from disposal of certain equipment for environment protection purpose.

8 Expenses by nature

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables used	163,146	145,139	147,987
Changes in inventories of finished goods and work in progress	(112)	(892)	529
Employee benefit expenses (Note 9)	18,285	21,404	23,606
Depreciation and amortisation	8,067	10,935	11,390
Utilities	5,839	5,361	6,030
Transportation expenses	5,732	4,192	4,755
Travelling expenses	3,299	2,700	2,879
Commission expenses	1,968	2,060	2,737
Entertainment expenses	1,888	1,624	1,867
Business tax and surplus	929	1,303	1,432
Other taxes and levies	716	1,898	1,550
Advertising and promotion costs	929	820	1,749
Listing expenses	831	3,604	7,039
Auditors' remuneration-audit service	24	68	36
Inventory write-down/(write-back)	92	95	(70)
Impairment charges/(reversal) for receivables (Note 22)	(28)	325	1,012
Research and development costs			
— Employee benefit expenses (Note 9)	2,996	3,094	3,441
— Depreciation and amortisation	182	185	217
— Raw materials and consumables used and others	5,798	5,466	5,841
Other expenses	3,145	2,047	2,077
Total cost of sales, selling expenses and administrative expenses	223,726	211,428	226,104

9 **Employee benefit expenses (including directors' emoluments)**

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	18,638	21,904	23,849
Pension costs	2,003	1,922	2,298
Other social security costs	640	672	900
	21,281	24,498	27,047

(a) ***Directors' and chief executive's emoluments***

The remuneration of the directors and chief executives for the years ended 31 December 2014, 2015 and 2016 are set out below:

	Salaries, bonus, pension and other social security costs		
Name	**Year ended 31 December**		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors			
Mr. Sheng (i)	314	494	914
Ms. Sheng Sainan	20	60	172
Mr. Fang Xu	190	310	310
Mr. Yu	304	304	358
	828	1,168	1,754

(i) Mr. Sheng is also the chief executive of the Company.

(ii) Mr. Sheng was appointed as executive director of the Company on 25 July 2013. Ms. Sheng Sainan, Mr. Fang Xu and Mr. Yu were appointed as executive directors of the Company on 23 August 2016. Mr. Lee Ho Yiu, Thomas, Mr. Ma Lingfei, and Ms. Huang Yueyuan were appointed as independent non-executive directors of the Company on 22 June 2017.

(b) ***Five highest paid individuals***

For the years ended 31 December 2014, 2015 and 2016, the five individuals whose emoluments were the highest in the Group included three directors whose emoluments are reflected in the analysis shown in Note 9(a). The emoluments payable to the remaining two individuals during the Relevant Periods are as follows:

	Year ended31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	501	716	891
Pension costs	6	3	3
Other social security costs	6	10	19
	513	729	913

The emoluments fell within the following bands:

Number of individuals

	Year ended31 December		
	2014	**2015**	**2016**
Emolument bands			
HK$ 0 — HK$1,000,000	2	2	2

(c) No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director.

(d) No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(e) No payment was made to directors as compensation for the early termination of the appointment during the Relevant Periods.

(f) No payment was made to the former employer of directors for making available the services of them as a director of the Company.

(g) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors during the Relevant Periods is presented in Note 34(b)(iii) and Note34(c)(i).

(h) Except for financial guarantees provided by Mr. Sheng and Longsheng Investment, an entity controlled by Mr. Sheng, to the Group (Note 34(b)(i)), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Relevant Periods.

10 Finance expenses — net

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Finance expenses:			
— Interest expenses on borrowings	8,499	8,026	6,996
Less: capitalised interest (Note 16)	(2,823)	(3,183)	(3,190)
— Interest expenses	5,676	4,843	3,806
— Bank service charges	917	943	835
Finance expenses	6,593	5,786	4,641
Finance income:			
— Interest income derived from bank deposits	(885)	(670)	(451)
Finance expenses — net	5,708	5,116	4,190

11 Subsidiaries

(a) The principal subsidiaries as at 31 December 2014, 2015 and 2016 are disclosed in Note 1.2.

(b) *Material non-controlling interests*

The accumulated non-controlling interest of Splendor Decoration as at 31 December 2014, 2015 and 2016 was RMB10,399,000, RMB13,950,000 and RMB nil, respectively. The non-controlling interest in respect of Jiayou Arts was not material at 31 December 2014, and was nil at 31 December 2015 and 2016.

On 9 December 2015, Splendecor Hong Kong entered into an equity transfer agreement to acquire RMB7,140,000, representing 31.44% in the registered capital of Splendor Decoration from Century Frontier International (USA) Inc. ("Century Frontier") at a consideration of approximately RMB12,081,000. The acquisition was completed upon the registration of changes with the relevant local administrative bureau on 15 January 2016, following which Splendor Decoration was owned as to approximately 68.56% by Shenglong Decoration and approximately 31.44% by Splendecor Hong Kong, and became an indirect wholly-owned subsidiary of the Company (Note 25).

Set out below are the summarised financial information for the subsidiary, Splendor Decoration, as at 31 December 2014 and 2015 and for the years then ended when the non-controlling interests were material to the Group.

Summarised balance sheet

	As at 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
Current		
Assets	79,956	91,640
Liabilities	(52,763)	(59,837)
Total current net assets	27,193	31,803
Non-current		
Assets	14,402	13,025
Liabilities	—	—
Total non-current net assets	14,402	13,025
Net assets	41,595	44,828

Summarised income statements

	Year ended 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
Revenue	94,999	72,653
Profit/(loss) before income tax	3,413	(443)
Income tax expense	(950)	53
Profit/(loss) for the year	2,463	(390)
Total comprehensive income	2,463	(390)
Total comprehensive income allocated to non-controlling interests	616	(72)
Dividends paid to non-controlling interests	—	—

Summarised cash flows

	Year ended 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	(8,427)	13,622
Income tax paid	(1,355)	(31)
Net cash (used in)/generated from operating activities	(9,782)	13,591
Net cash generated from/(used in) investing activities	10,557	(10,293)
Net cash used in financing activities	(695)	(1,751)
Net increase in cash and cash equivalents	80	1,547
Cash and cash equivalents at beginning of the year	350	426
Exchange (losses)/gains on cash and cash equivalents	(4)	5
Cash and cash equivalents at end of the year	426	1,978

12 Income tax expense

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	2,951	888	4,432
Deferred income tax (Note 30)	(444)	(218)	(273)
	2,507	670	4,159

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

The corporate income tax rate applicable to the group entities located in PRC other than Shenglong Decoration is 25% according to the PRC Corporate Income Tax Law (the "CIT 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 Relevant Periods.

(b) ***Overseas income tax***

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and, is exempted from Cayman Islands income tax. Haoyu Capital 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 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 years ended 31 December 2014, 2015 and 2016.

(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 Relevant Periods, the directors reassessed the dividend policy of its major subsidiaries established in the PRC, Shenglong Decoration and Splendor Decoration, based on the Group's current business plan and financial position, and no retained earnings as of 31 December 2016 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 and not to be remitted out of the PRC in the foreseeable future.

(d) ***Taxation on the Group's profit***

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	15,423	5,989	24,890
Tax calculated at applicable corporate income tax rate of 25%	3,856	1,497	6,223
Effect of different tax rates and preferential tax rates of subsidiaries	(1,274)	(582)	(2,609)
Tax losses for which no deferred income tax assets was recognised	18	24	15
Expenses not deductible for taxation purposes	478	306	1,155
Additional deductible allowance for research and development expenses (i)	(571)	(575)	(625)
	2,507	670	4,159

(i) Pursuant to the CIT Law, the Group can enjoy an additional tax deduction calculated at 50% of the actual research and development expenses recognised.

13 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the Relevant Periods. In determining the weighted average number of 100,000,000 ordinary shares deemed to be in issue during the Relevant Periods, the issue and allotment of 10,000,000 shares (before share subdivision as described in Note 36(a)) by the Company in connection with the Reorganisation and the subdivision of the Company's shares from 1 share with a par value of HK$0.10 each into 10 shares with a par value of HK$0.01 each as described in Note 36(a), had been treated as if they have been completed on 1 January 2014.

It has not taken into account the proposed capitalisation issue as described in Note 36(b) and the proposed issue of shares pursuant to the share option scheme as described in Note 36(c), because these proposed issues of shares have not become effective as at the date of this report.

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB	*RMB*	*RMB*
Profit attributable to owners of the Company (RMB'000)	12,308	5,391	20,731
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000
	0.123	0.054	0.207

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

14 Land use rights and prepayments for land use rights

Movement of land use rights is analysed as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Opening net book amount	36,313	48,723	47,476
Addition	10,806	—	—
Transfer	2,582	—	—
Amortisation	(978)	(1,247)	(1,194)
Disposals (Note 17)	—	—	(2,460)
Closing net book amount	48,723	47,476	43,822
Cost	53,940	53,940	51,480
Accumulated amortisation	(5,217)	(6,464)	(7,658)
Net book amount	48,723	47,476	43,822

The lease periods of land use rights are 50 years starting from the date of grant and are located in the PRC.

As at 31 December 2014, 2015 and 2016, land use rights with a total net book value of approximately RMB43,670,000, RMB40,176,000 and RMB43,822,000 were pledged as collateral for the Group's borrowings, respectively (Note 26 and 29).

The prepayments for land use rights of RMB4,900,000 as at 31 December 2014, 2015 and 2016 represented the land compensation fee paid by the Group for the government's requisition of collective use land and thus is considered as the prepayment of the Group to obtain the land use rights in the future. The amount is refundable if the Group cannot obtain the land use rights subsequently.

15 Investments in subsidiaries

The Company

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Investment, at cost:			
Unlisted shares	—	14,682	15,684
Amounts due from a subsidiary (i)	—	39,667	42,345
	—	54,349	58,029

(i) The amounts due from a subsidiary represented equity funding provided by the Company to Splendecor Hong Kong and are measured in accordance with the Company's accounting policy as investments in subsidiaries. They are unsecured, non-interest bearing, denominated in HK$ and have no specific repayment terms. The Company's intention is that such amounts will only be recalled when the subsidiary has surplus cash.

16 Property, plant and equipment

	Buildings	**Machinery and equipment**	**Furniture and other equipment**	**Motor vehicles**	**Construction-in-progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014						
Cost	15,819	81,512	2,496	1,727	25,342	126,896
Accumulated depreciation	(10,096)	(55,217)	(1,889)	(1,168)	—	(68,370)
Net book amount	5,723	26,295	607	559	25,342	58,526
Year ended 31 December 2014						
Opening net book amount	5,723	26,295	607	559	25,342	58,526
Additions	587	12,165	275	348	47,257	60,632
Disposals	—	(1,269)	(10)	—	—	(1,279)
Transfer	24,101	9,904	—	—	(36,587)	(2,582)
Depreciation	(1,134)	(5,259)	(203)	(198)	—	(6,794)
Closing net book amount	29,277	41,836	669	709	36,012	108,503

	Buildings	Machinery and equipment	Furniture and other equipment	Motor vehicles	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014						
Cost	40,507	102,312	2,761	2,075	36,012	183,667
Accumulated depreciation	(11,230)	(60,476)	(2,092)	(1,366)	—	(75,164)
Net book amount	29,277	41,836	669	709	36,012	108,503
Year ended 31 December 2015						
Opening net book amount	29,277	41,836	669	709	36,012	108,503
Additions	1,137	1,705	817	180	15,774	19,613
Disposals	—	(287)	(12)	(64)	—	(363)
Transfer	3,308	5,409	—	—	(8,717)	—
Depreciation	(2,541)	(6,465)	(213)	(157)	—	(9,376)
Closing net book amount	31,181	42,198	1,261	668	43,069	118,377
At 31 December 2015						
Cost	44,952	109,139	3,566	2,191	43,069	202,917
Accumulated depreciation	(13,771)	(66,941)	(2,305)	(1,523)	—	(84,540)
Net book amount	31,181	42,198	1,261	668	43,069	118,377
Year ended 31 December 2016						
Opening net book amount	31,181	42,198	1,261	668	43,069	118,377
Additions	1,032	3,179	478	1,341	13,499	19,529
Disposals	—	(2,008)	—	—	—	(2,008)
Transfer	16,632	3,637	1,059	—	(21,328)	—
Depreciation	(2,755)	(6,550)	(387)	(320)	—	(10,012)
Closing net book amount	46,090	40,456	2,411	1,689	35,240	125,886
At 31 December 2016						
Cost	62,616	113,947	5,103	3,532	35,240	220,438
Accumulated depreciation	(16,526)	(73,491)	(2,692)	(1,843)	—	(94,552)
Net book amount	46,090	40,456	2,411	1,689	35,240	125,886

As at 31 December 2014, 2015 and 2016, the construction-in-progress were capital expenditure incurred for the construction of new plant in PRC. The amount transferred out from the construction-in-progress mainly represented part of buildings and production lines which have been completed and put in use.

Depreciation charges have been charged to consolidated income statements as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	5,913	8,434	8,757
Administration expenses	881	942	1,255
	6,794	9,376	10,012

As at 31 December 2014 and 2015 and 2016, property, plant and equipment with a total net book value of approximately RMB32,215,000, RMB25,973,000 and RMB15,289,000 were pledged as collateral for the Group's borrowings, respectively.

Borrowing costs of RMB2,823,000, RMB3,183,000 and RMB3,190,000 have been capitalised in assets under construction for the years ended 31 December 2014 and 2015 and 2016, respectively.

The capitalisation rates of borrowings for the years ended 31 December 2014 and 2015 and 2016 were 6.69%, 6.37% and 5.95%, respectively.

17 Investment property

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Opening net book amount	6,693	6,364	6,035
Depreciation	(329)	(329)	(205)
Disposals	—	—	(5,830)
Closing net book amount	6,364	6,035	—

The rental income arising from investment property for the years ended 31 December 2014, 2015 and 2016 were RMB989,000, RMB1,020,000 and RMB407,000, respectively.

As at 31 December 2014, 2015 and 2016, the Group had no unprovided contractual obligations for future repairs and maintenance.

In July 2016, the Group disposed of its entire investment property and the related land use rights with net book value of RMB5,830,000 and RMB2,460,000 (Note 14), respectively, to an independent third party. The Group received cash proceeds of RMB9,145,000 (Note 32(c)), net of direct cost and taxes, from the sale of the investment property and the related land use rights.

18 Intangible assets

	Patents	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014			
Cost	1,038	440	1,478
Accumulated amortisation	(363)	(78)	(441)
Net book amount	675	362	1,037
Year ended 31 December 2014			
Opening net book amount	675	362	1,037
Additions	17	—	17
Amortisation	(108)	(40)	(148)
Closing net book amount	584	322	906
At 31 December 2014			
Cost	1,055	440	1,495
Accumulated amortisation	(471)	(118)	(589)
Net book amount	584	322	906
Year ended 31 December 2015			
Opening net book amount	584	322	906
Additions	502	—	502
Amortisation	(130)	(38)	(168)
Closing net book amount	956	284	1,240

	Patents	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2015			
Cost	1,557	440	1,997
Accumulated amortisation	(601)	(156)	(757)
Net book amount	956	284	1,240
Year ended 31 December 2016			
Opening net book amount	956	284	1,240
Additions	226	—	226
Amortisation	(158)	(38)	(196)
Closing net book amount	1,024	246	1,270
At 31 December 2016			
Cost	1,783	440	2,223
Accumulated amortisation	(759)	(194)	(953)
Net book amount	1,024	246	1,270

Amortisation has been charged to consolidated income statements as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	108	120	133
Administration expenses	40	48	63
	148	168	196

19 Financial instruments by category

	Loans and receivables *RMB'000*	Available-for-sale *RMB'000*	Total *RMB'000*
At 31 December 2014			
Assets as per balance sheet			
Available-for-sale financial assets	—	5,000	5,000
Trade and other receivables excluding prepayments	84,349	—	84,349
Restricted bank deposits	34,726	—	34,726
Cash and cash equivalents	5,782	—	5,782
Total	124,857	5,000	129,857

	Financial liabilities at amortised cost *RMB'000*
Liabilities as per balance sheet	
Borrowings	129,770
Trade and other payables excluding non-financial liabilities	129,101
Total	258,871

	Loans and receivables *RMB'000*	Available-for-sale *RMB'000*	Total *RMB'000*
At 31 December 2015			
Assets as per balance sheet			
Available-for-sale financial assets	—	5,000	5,000
Trade and other receivables excluding prepayments	70,247	—	70,247
Restricted bank deposits	39,134	—	39,134
Cash and cash equivalents	9,124	—	9,124
Total	118,505	5,000	123,505

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	122,730
Trade and other payables excluding non-financial liabilities	123,344
Total	246,074

	Loans and receivables
	RMB'000
At 31 December 2016	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	63,992
Restricted bank deposit	37,820
Cash and cash equivalents	11,344
Total	113,156

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	105,200
Trade and other payables excluding non-financial liabilities	127,191
Total	232,391

20 Available-for-sale financial assets

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investment at fair value:			
Balance at beginning of the year	6,577	5,000	5,000
Disposals	(1,577)	—	(5,000)
Balance at end of the year	5,000	5,000	—

The Group's available-for-sale financial assets as at 31 December 2014 and 2015 represented a 2.5% equity interest in an unlisted local bank which was established in December 2011 in the PRC. It was disposed of in March 2016. The available-for-sale financial assets were denominated in RMB.

The fair value was measured by market approach and the unobservable input included multiple ratio and marketability discount. As at 31 December 2014 and 2015, the fair value approximated their carrying amounts.

21 Inventories

	As at 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	14,690	9,189	16,016
Work in progress	3,110	3,218	2,743
Finished goods	18,065	18,849	18,795
	35,865	31,256	37,554

The cost of inventories recognised as expense and included in "cost of sales" and "administrative expenses" amounted to RMB185,217,000 and RMB5,798,000, RMB170,139,000 and RMB5,466,000, RMB174,902,000 and RMB5,841,000 for the years ended 31 December 2014, 2015 and 2016, respectively. The inventory write-down of RMB92,000 and RMB95,000 for the years ended 31 December 2014 and 2015, and inventory write-back of RMB70,000 for the year ended 31 December 2016 were included in "cost of sales".

22 Trade and other receivables

The Group

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	41,323	42,741	56,193
Less: allowance for impairment of trade receivables	(3,964)	(3,878)	(2,610)
Trade receivables, net	37,359	38,863	53,583
Amount due from related parties (Note 34(c)(i))	39,787	12,059	800
Notes receivables	2,197	1,290	1,416
Advances to employees	2,103	1,843	4,129
Prepayments of listing expenses	184	1,082	3,207
Deposits paid to suppliers	384	14,575	1,190
Deposits for utilities and product quality assurance	44	44	1,324
Interests receivables	199	174	145
Prepayments of raw materials	51	376	274
Other receivables	3,545	2,845	1,473
	85,853	73,151	67,541

The credit terms of trade receivables granted by the Group are normally within 2 months. The ageing analysis of trade receivables based on the invoice date is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	31,941	32,101	45,778
More than 3 months but not exceeding 1 year	6,104	6,138	6,781
More than 1 year	3,278	4,502	3,634
	41,323	42,741	56,193

As at 31 December 2014, 2015 and 2016, trade receivables of RMB30,113,000, RMB27,714,000 and RMB40,688,000, respectively, were fully performing.

As at 31 December 2014, 2015 and 2016, trade receivables of RMB6,453,000, RMB7,485,000 and RMB10,390,000, respectively, were past due but not impaired. These receivables related to a number of customers that have a good record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows.

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	1,828	4,387	5,090
More than 3 months but not exceeding 1 year	4,625	3,098	5,300
	6,453	7,485	10,390

As at 31 December 2014, 2015 and 2016, trade receivables of RMB4,757,000, RMB7,542,000 and RMB5,115,000 were impaired and a total provision of RMB3,964,000, RMB3,878,000 and RMB2,610,000, respectively, was provided for. The ageing analysis of these trade receivables is as follows.

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
More than 3 months but not exceeding 1 year	1,479	3,040	1,481
More than 1 year	3,278	4,502	3,634
	4,757	7,542	5,115

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
RMB	20,757	18,421	27,544
USD	20,374	24,298	28,611
EUR	192	22	38
	41,323	42,741	56,193

Movement of the allowance for impairment of trade receivables is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	3,992	3,964	3,878
Allowance for impairment	(28)	325	1,012
Amounts written off	—	(411)	(2,280)
At the end of the year	3,964	3,878	2,610

Notes receivables represents trade related bank acceptance with maturity period within 6 months and non-interest bearing.

The Company

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from Bright Commerce	310	—	—

23 Cash and cash equivalents and restricted bank deposits

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	26	18	36
Cash at bank	40,482	48,240	49,128
Cash at bank and on hand	40,508	48,258	49,164
Less: Restricted bank deposits	(34,726)	(39,134)	(37,820)
Cash and cash equivalents	5,782	9,124	11,344

Cash at bank and on hand were denominated in the following currencies:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
RMB	40,071	46,351	44,998
USD	284	639	810
EUR	59	273	388
HK$	94	995	2,968
	40,508	48,258	49,164

24 **Share capital — Group and Company**

	Number of ordinary shares of USD1.00 each	Nominal value of ordinary shares	Number of ordinary shares of HK$0.10 each	Nominal Value of ordinary shares
	'000	*USD'000*	*'000*	*HK$'000*
Authorised				
At 1 January 2014, 31 December 2014 and 1 January 2015	50	50	—	—
Increase of authorised shares (a)	—	—	1,000,000	100,000
Cancellation of authorised shares (a)	(50)	(50)	—	—
At 31 December 2015 and 2016	—	—	1,000,000	100,000

	Number of ordinary shares of USD1.00 each	Nominal value of ordinary shares	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
	'000	*USD'000*	*'000*	*HK$'000*	*RMB'000*
Issued					
At 1 January 2014, 31 December 2014 and 1 January 2015	50	50	—	—	310
Issuance of new shares (b)	—	—	10,000	1,000	790
Repurchase and cancellation of previous issued shares	(50)	(50)	—	—	(310)
At 31 December 2015 and 2016	—	—	10,000	1,000	790

(a) The Company was incorporated in the Cayman Islands on 25 July 2013. The initial authorised share capital of the Company was USD50,000 divided into 50,000 shares with a par value of USD1.00 each.

On 20 April 2015, the authorised share capital of the Company was increased by creation of an additional 1,000,000,000 shares with a par value of HK$0.10 each. On the same date, the Company cancelled the then authorised and issued share capital of the Company of 50,000 shares with a par value of US$1.00 each, such that the authorised share capital of the Company became HK$100,000,000 divided into 1,000,000,000 shares with a par value of HK$0.10 each.

(b) On 20 April 2015, the Company issued 6,398,550 shares of HK$0.10 par value each of the Company in total to Bright Commerce at cash consideration of HK$41,507,896.60 (equivalent to approximately RMB32,804,000); issued 300,000 shares of HK$0.10 par value each of the Company to each of Pioneer Treasure, Immense Global and Well Power at a cash consideration of HK$1,946,123.58 (equivalent to approximately RMB1,538,000), respectively.

On 20 April 2015, the Company and Mr. Ren entered into a share swap agreement, pursuant to which the Company agreed to acquire the entire issued share capital of Haoyu Capital for a consideration of HK$17,524,518.44 (equivalent to approximately RMB13,850,000) by the allotment and issuance of 2,701,450 shares of HK$0.10 par value each of the Company to Mr. Ren.

The above issued shares of the Company, totaling 10,000,000 shares, had been fully paid up during the year ended 31 December 2015, recognising share capital of HK$1,000,000 (equivalent to approximately RMB790,000) and share premium of approximately HK$ 63,871,000 (equivalent to approximately RMB50,477,000).

25 Other reserves — Group and Company

Group	Share premium	Merger reserve (Note a)	Statutory Reserves (Note b)	Fair value reserves of available-for-sale financial assets	Other reserves (Note d)	Translation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	—	26,542	7,142	1,066	—	(4)	34,746
Appropriation to statutory reserve	—	—	1,096	—	—	—	1,096
Reclassification of unrealised fair value gain of available-for-sale financial assets upon disposal	—	—	—	(1,066)	—	—	(1,066)
Currency translation difference	—	—	—	—	—	5	5
At 31 December 2014	—	26,542	8,238	—	—	1	34,781

Group	Share premium	Merger reserve (Note a)	Statutory Reserves (Note b)	Fair value reserves of available-for-sale financial assets	Other reserves (Note d)	Translation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	—	26,542	8,238	—	—	1	34,781
Issuance of new shares (Note 24(b))	50,477	—	—	—	—	—	50,477
Deemed distribution to shareholders (Note c)	—	(51,187)	—	—	—	—	(51,187)
Appropriation to statutory reserve	—	—	505	—	—	—	505
Acquisition of non-controlling interests	—	—	—	—	(47)	—	(47)
Currency translation difference	—	—	—	—	—	(87)	(87)
At 31 December 2015	50,477	(24,645)	8,743	—	(47)	(86)	34,442
At 1 January 2016	50,477	(24,645)	8,743	—	(47)	(86)	34,442
Appropriation to statutory reserve	—	—	1,968	—	—	—	1,968
Acquisition of non-controlling interests	—	—	—	—	1,869	—	1,869
Currency translation difference	—	—	—	—	—	(378)	(378)
At 31 December 2016	50,477	(24,645)	10,711	—	1,822	(464)	37,901

(a) ***Merger reserve***

The Company was incorporated on 25 July 2013 and the Reorganisation was completed on 17 June 2015. For the purpose of the Financial Information, the merger reserve as at 1 January 2014 represented the aggregate of paid-in capital and share premium of the Shenglong Group.

(b) ***Statutory reserves***

Pursuant to the Company Law of the PRC and the articles of association of certain PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the respective companies. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less 25% of the registered capital.

(c) Deemed distribution to shareholders in 2015 represented (i) the consideration of HK$17,524,518.44 (equivalent to approximately RMB13,850,000) paid by the Group to Mr. Ren in acquiring the entire issued capital of Haoyu Capital, and such consideration was settled by the allotment and issuance of 2,701,450 shares of HK$0.10 par value each of the Company to Mr. Ren pursuant to the share swap agreement, as described in Note 1.2(f); (ii) cash consideration of RMB37,337,252.22 in total paid by the Group to Mr. Sheng and other shareholders to acquire their 72.99% equity interest in total in Shenglong Decoration, as described in Note 1.2(g).

Deemed distribution to shareholders was recognised as a deduction to merger reserve.

(d) ***Other reserves***

On 21 January 2015, Shenglong Decoration acquired an additional 10% equity interest in Jiayou Art for a consideration of RMB300,000. The excess of the consideration paid over the carrying amount of the non-controlling interest in Jiayou Art amounted to RMB47,000 and was recognised in other reserves.

On 15 January 2016, Splendecor Hong Kong acquired an additional 31.44% equity interest in Splendor Decoration for a consideration of approximately RMB12,081,000. The shortfall of the consideration over the carrying amount of the non-controlling interest in Splendor Decoration amounted to RMB1,869,000 and was recognised in other reserves.

Movements of the Company's reserves are as follows:

Company	Share Premium	Translation Reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014, 31 December 2014 and 1 January 2015	—	—	—
Issuance of new shares (Note 24(b))	50,477	—	50,477
Currency translation differences	—	3,082	3,082
At 31 December 2015	50,477	3,082	53,559
At 1 January 2016	50,477	3,082	53,559
Currency translation differences	—	3,708	3,708
At 31 December 2016	50,477	6,790	57,267

26 Long-term bank borrowings

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Secured bank borrowings (a)	50,000	50,000	72,000
Less: current portion of long-term borrowings	(10,000)	—	(20,000)
	40,000	50,000	52,000

(a) The bank borrowings of the Group were secured by property, plant and equipment (Note 16) and land use rights (Note 14) of Shenglong Decoration as at 31 December 2014, 2015 and 2016.

(b) As at 31 December 2014, 2015 and 2016, the Group's long-term borrowings were repayable as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	10,000	—	20,000
Between 1 and 2 years	10,000	20,000	52,000
Between 2 and 5 years	30,000	30,000	—
	50,000	50,000	72,000
Within 1 year included in current liabilities	(10,000)	—	(20,000)
	40,000	50,000	52,000

(c) The exposure of the long-term borrowings to interest rate changes and the contractual repricing dates at the end of the years is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within six months	5,500	50,000	22,000
Between 6 and 12 months	44,500	—	50,000
	50,000	50,000	72,000

The weighted average effective interest rate of bank borrowings as at 31 December 2014, 2015 and 2016 was 7.03%, 6.51% and 5.86%, respectively.

As at 31 December 2014, 2015 and 2016, the Group's long-term borrowings were denominated in RMB.

27 Deferred government grants

Government grants relating to the construction of several environmentally-conscious projects which were related to assets were deferred and recognised in the consolidated income statements on a straight-line basis over the assets' useful lives.

Movement of deferred government grants is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	235	1,622	1,896
Receipt of grants	1,933	384	—
Credited to consolidated income statements	(546)	(110)	(100)
At the end of the year	1,622	1,896	1,796

28 Trade and other payables

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	40,643	37,550	44,501
Notes payables	55,348	67,209	68,925
Amounts due to related parties (Note 34(c)(ii))	17,554	6,744	246
Payables for purchase of property, plant and equipment	8,576	6,373	7,018
Accrued operating expenses (a)	3,850	3,513	5,474
Advances from customers	3,545	1,802	2,388
Employee benefit payable	2,928	4,635	5,235
Other taxes payable	1,831	2,261	1,303
Others	3,130	1,955	1,027
	137,405	132,042	136,117

(a) The amount mainly represented accruals for transportation expenses and commission expenses.

(b) The Group's trade and other payables excluding non-financial liabilities were denominated in the following currencies:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
RMB	128,812	122,606	126,174
HK$	289	305	553
USD	—	433	239
EUR	—	—	225
	129,101	123,344	127,191

(c) As at 31 December 2014, 2015 and 2016, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	67,320	54,168	80,411
More than 3 months but not exceeding 1 year	28,356	50,336	32,607
More than 1 year	315	255	408
	95,991	104,759	113,426

(d) As at 31 December 2014, 2015 and 2016, all trade and other payables of the Group were non-interest bearing.

29 Short-term bank borrowings

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Secured bank borrowings (a)	67,920	69,580	27,700
Unsecured bank borrowings (b)	11,850	3,150	5,500
	79,770	72,730	33,200

(a) Short-term bank borrowings of RMB49,450,000, RMB36,450,000 and RMB13,500,000 as at 31 December 2014, 2015 and 2016, respectively, were secured by property, plant and equipment (Note 16) and land use rights (Note 14) of Shenglong Decoration.

Short-term bank borrowings of RMB18,470,000, RMB33,130,000 and RMB14,200,000 as at 31 December 2014, 2015 and 2016, respectively, were secured by certain buildings of Longsheng Investment, a related party of the Group (Note 34(b)(i)).

(b) Short-term bank borrowings of RMB11,085,000, RMB25,900,000 and RMB28,700,000 as at 31 December 2014, 2015 and 2016, respectively, were guaranteed by Mr. Sheng (Note 34(b)(i)).

(c) The weighted average interest rate of short-term borrowings at 31 December 2014, 2015 and 2016 was 6.30%, 6.20% and 5.26% per annum respectively.

30 Deferred income tax

The analysis of deferred income tax assets is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
— to be recovered after more than 12 months	1,340	1,460	1,637
— to be recovered within 12 months	1,260	1,358	1,454
	2,600	2,818	3,091

Movement of deferred income tax assets is as follows:

Deferred income tax assets	**Allowance for impairment of trade receivables**	**Inventory write-down**	**Deferred government grants**	**Unrealised profit on intra-group transactions**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	939	68	35	1,114	—	2,156
Recognised in the consolidated income statements	(10)	20	208	226	—	444
As at 31 December 2014	929	88	243	1,340	—	2,600
As at 1 January 2015	929	88	243	1,340	—	2,600
Recognised in the consolidated income statements	36	21	41	52	68	218
As at 31 December 2015	965	109	284	1,392	68	2,818
As at 1 January 2016	965	109	284	1,392	68	2,818
Recognised in the consolidated income statements	140	(30)	(15)	246	(68)	273
As at 31 December 2016	1,105	79	269	1,638	—	3,091

31 Dividends

Dividends for the year ended 31 December 2014 represented dividends declared by the companies now comprising the Group to the then equity holders of the underlying companies prior to the Reorganisation. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

32 Notes to consolidated cash flow statements

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	15,423	5,989	24,890
Adjustments for:			
Depreciation of property, plant and equipment (Note 16)	6,794	9,376	10,012
Amortisation of land use rights (Note 14)	978	1,247	1,194
Amortisation of intangible assets (Note 18)	148	168	196
Depreciation of investment property (Note 17)	329	329	205
Loss on disposal of property, plant and equipment (Note 7)	1,279	76	1,796
Gain on disposal of investment property and land use rights (Note 7)	—	—	(855)
Finance expenses — net (Note 10)	5,708	5,116	4,190
Allowance for impairment of trade receivables	(28)	325	1,012
Cash generated from operation before changes in working capital	30,631	22,626	42,640
Changes in working capital:			
Inventories	(1,135)	4,609	(6,298)
Trade and other receivables	(2,111)	(14,422)	(7,549)
Trade and other payables	(10,603)	6,657	9,277
Cash generated from operations	16,782	19,470	38,070

(b) In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount	1,279	363	2,008
Loss on disposal of property, plant and equipment (Note 7)	(1,279)	(76)	(1,796)
Proceeds from disposal	—	287	212

(c) In the consolidated statements of cash flows, proceeds from disposals of investment property and land use rights comprise:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount	—	—	8,290
Gain on disposal of investment property and land use rights (Note 7)	—	—	855
Proceeds from disposal	—	—	9,145

(d) ***Non-cash transactions***

During the Relevant Periods, the principal non-cash transactions comprise:

(i) On 20 April 2015, the Company issued 2,701,450 shares of HK$0.10 par value each of the Company as the consideration of HK$17,524,518.44 (equivalent to approximately RMB13,850,000) for the acquisition of the entire issued share capital of Haoyu Capital as disclosed in Note 1.2(f) and Note 25(c).

(ii) During the year ended 31 December 2015, dividends payable of RMB7,339,000 (Note 34(c)(ii)) declared by the Company during the year ended 31 December 2014 to Longsheng Investment was settled by offsetting the amount due from Longsheng Investment (Note 34(c)(i)).

(iii) During the year ended 31 December 2016, the consideration of RMB12,081,000 for the acquisition of 31.44% equity interest in Splendor Decoration as disclosed in Note 25(d) was settled by offsetting the amount due from Mr. Sheng (Note 34(c)(i)).

33 Commitments

Capital commitments

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

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	15,053	5,913	3,944

34 Related party transactions

(a) ***Names and relationship***

The following is a summary of the significant transactions carried out between the Group and its related parties during the years ended 31 December 2014, 2015 and 2016, and balances arising from related party transactions as at 31 December 2014, 2015 and 2016.

Name of the related party	Relationship with the Group
Mr. Sheng	Controlling Shareholder and director
Ms. Sheng Sainan	A close family member of the Controlling Shareholder and director
Mr. Fang Xu	A close family member of the Controlling Shareholder and director
Mr. Yu	Director and shareholder
Ms. Lu Miaoling	Key management personnel
Bright Commerce	Controlling Shareholder
Longsheng Investment	An entity controlled by the Controlling Shareholder
Century Frontier	Non-controlling interest (Before 15 January 2016)

(b) ***Transactions with related parties***

(i) *Financial guarantees and securities provided to the Group*

The short-term bank borrowings of RMB18,470,000, RMB33,130,000 and RMB14,200,000 as at 31 December 2014, 2015 and 2016, respectively, were secured by certain buildings of Longsheng Investment.

The short-term bank borrowings of RMB11,085,000, RMB25,900,000 and RMB28,700,000 as at 31 December 2014, 2015 and 2016, respectively, were guaranteed by Mr. Sheng.

(ii) *Key management personnel compensation*

The compensations paid or payable to key management personnel (including directors and senior management) for employee services are shown below:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	915	1,486	2,630
Pension costs	6	9	14
Other social security costs	14	14	22
	935	1,509	2,666

(iii) *Interest income derived from amount due from a related party*

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Longsheng Investment	2,489	—	—

(c) ***Period-end balances with related parties***

(i) *Amounts due from related parties*

	As at 31 December					
	2014		2015		2016	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Maximum balance outstanding during the year		*Maximum balance outstanding during the year*		*Maximum balance outstanding during the year*	
Non-trade						
Directors:						
Ms. Sheng Sainan	2,190	2,190	2,190	2,190	2,190	—
Mr. Sheng	691	—	5,500	5,491	18,772	—
Mr. Fang Xu	—	—	—	—	257	—
Key management personnel:						
Ms. Lu Miaoling	—	—	—	—	800	800
Longsheng Investment	45,550	37,287	37,287	4,378	—	—
Bright Commerce	310	310	—	—	—	—
	48,741	39,787	44,977	12,059	22,019	800

The balance due from Longsheng Investment was unsecured and repayable on demand, and bore interest at a rate of approximately 6.0% during the year ended 31 December 2014 and bore no interest during the year ended 31 December 2015. All other balances were unsecured, interest-free, and repayable on demand during the Relevant Periods.

(ii) *Amounts due to related parties*

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Dividend payable to related parties:			
Longsheng Investment	7,339	—	—
Century Frontier	3,624	—	—
Mr. Sheng	1,567	1,567	—
Mr. Yu	240	240	—
Advances from related parties:			
Mr. Yu	4,774	—	—
Mr. Sheng	10	—	246
Longsheng Investment	—	4,937	—
	17,554	6,744	246

The above balances were repayable on demand and no interest bearing.

35 Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014, 2015 and 2016.

36 Subsequent events

Save as disclosed elsewhere in the report, the following significant events took place after 31 December 2016:

(a) Pursuant to a shareholders' resolution dated 22 June 2017, all the authorised shares of the Company with a par value of HK$0.10 each was subdivided into 10 shares with a par value of HK$0.01 each, so that the authorised shares became 10,000,000,000 shares and the issued shares became 100,000,000 shares.

(b) Pursuant to a shareholders' resolution dated 22 June 2017, conditional on the share premium account of the Company being credited as a result of the placing and the public offer of the Company's shares for the proposed listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the directors were authorised to capitalise the amount of HKD2,750,000 standing to the credit of the share premium account of the Company and to apply such sum in paying to pay up in full at 275,000,000 shares for allotment and issue to the shareholders whose names were on the register of members of the Company as at the date of this report.

(c) Pursuant to a shareholders' resolution dated 22 June 2017, the Company adopted a share option scheme which would take effective subject to certain conditions. As of the date of this report, no options have been granted.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Share Offer as if it had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of 31 December 2016 or any future date following the Share Offer. It is prepared based on our audited consolidated net tangible assets as of 31 December 2016 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountant's Report as set out in Appendix I of this prospectus.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*Equivalent to HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on an Offer Price of HK$0.55 per share	88,845	45,081	133,926	0.27	0.30
Based on an Offer Price of HK$0.80 per share	88,845	71,914	160,759	0.32	0.36

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2016 of approximately RMB90,115,000 less the intangible assets of the Group as at 31 December 2016 of approximately RMB1,270,000.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price from HK$0.55 to HK$0.80 per Offer Share, being the lower end to higher end of the stated offer price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses payable by the Company (excluding approximately RMB11,474,000 in listing expenses which has been accounted for in the consolidated income statements prior to 31 December 2016) and takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

(3) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share is determined after the adjustments referred to the preceding paragraphs and on the basis of 500,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 31 December 2016, but takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

(4) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 December 2016.

(5) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Hong Kong Dollars has been converted to Renminbi at the rate of HK$1 to RMB0.8945, as set out in "Information About This Prospectus and The Share Offer — Exchange Rate Conversion" to this prospectus. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shenglong Splendecor International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenglong Splendecor International Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 and II-2 of the Company's prospectus dated 30 June 2017, in connection with the proposed offering of the shares of the Company (the "Offering"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 and II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Offering on the Group's financial position as at 31 December 2016 as if the Offering had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 December 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offering at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 June 2017

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the property interests owned and leased by the Group as at 30 April 2017.

Peak Vision
Appraisals Limited

12/F, Effectual Building
14-16 Hennessy Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

30 June 2017

The Board of Directors
Shenglong Splendecor International Limited
Suite 1503-1504
15th Floor
ICBC Tower
3 Garden Road
Central
Hong Kong

Dear Sirs,

In accordance with the instructions from Shenglong Splendecor International Limited (the "**Company**") for us to value the property interests owned and leased by the Company and its subsidiaries (the "**Group**") located in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such property interests as at 30 April 2017 (the "**Valuation Date**").

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which we would define to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I which are held for owner occupation by the Group in the PRC, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables and accordingly such property interests cannot be valued by comparison with open market transactions. Therefore, we have adopted the Depreciated Replacement Cost ("**DRC**") Approach in arriving at the values of such property interests. The DRC Approach is based on an estimate of the market value for the existing use of the land of the property by Direct Comparison Approach, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

We have not ascribed any commercial value to the property interests in Group II which are leased by the Group in the PRC, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

We have valued the property interests on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have been provided by the Group with copies of documents in relation to the title to the properties located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions prepared in Chinese by King & Wood Mallesons, the Company's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the title to the properties.

The properties were inspected during January 2017 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the properties but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title to the property and the interests of the Group in the property. In respect of the property in the PRC, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, site and floor areas, interest attributable to the Group and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the property interests, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Group, the properties or the values reported herein.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

	Property	Capital value in existing state as at 30 April 2017	Interest attributable to the Group	Capital value attributable to the Group as at 30 April 2017
Group I — Property interests held for owner occupation by the Group in the PRC				
1	An industrial complex located at No. 8 Shang Gua Fan, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	RMB41,900,000	100%	RMB41,900,000
2	An industrial complex located at No. 55 Shangyang Road, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	RMB94,000,000	100%	RMB94,000,000
	Sub-total:	RMB135,900,000		RMB135,900,000
Group II — Property interests leased by the Group in the PRC				
3	Various parcels of land located at Shangpan Village and Yangdai Village, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC			No Commercial Value
4	A portion of Lot No. 004-506-550, Shangpan Village, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC			No Commercial Value
	Sub-total:			No Commercial Value
	GRAND TOTAL:	**RMB135,900,000**		**RMB135,900,000**

VALUATION CERTIFICATE

Group I — Property interests held for owner occupation by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2017
1	An industrial complex located at No. 8 Shang Gua Fan, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	The property comprises an industrial complex, erected on an irregular-shaped site formed by two contiguous parcels of land with a total site area of approximately 47,894.40 sq.m. The buildings of the industrial complex include 16 blocks of 1 to 2-storey buildings used as research centre, workshops, warehouse, offices, canteen and other uses, having a total gross floor area of approximately 20,744.95 sq.m., and ancillary structures including warehouses and a boiler room, etc. having a total gross floor area of approximately 3,744.00 sq.m., all completed between 1996 and 2012. The land use rights of the property have been granted for terms expiring on 22 October 2051 and 29 December 2054 for industrial use.	The property is occupied by the Group for production and manufacturing use.	RMB41,900,000 100% interest attributable to the Group: RMB41,900,000 *(See Note (v) below)*

Notes:

i) Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Lin'an City, the land use rights of the property with a total site area of approximately 47,894.40 sq.m. have been granted to Zhejiang Shenglong Decoration Material Co., Ltd., a wholly-owned subsidiary of the Company, for industrial use. Details of the certificates are listed as follows:

Certificate No.	Lot No.	Approximate Site Area *(sq.m.)*	Issue Date	Expiry Date
Lin Guo Yong (2013) No. 00191	004-002-246	12,912.37	21 Jan 2013	29 Dec 2054
Lin Guo Yong (2013) No. 00192	004-002-004	34,982.03	21 Jan 2013	22 Oct 2051
	Total:	**47,894.40**		

ii) Pursuant to 16 Building Ownership Certificates, all registered on 9 January 2013 issued by Lin'an City Real Estate Administration Bureau, the building ownership of 16 blocks of the property with a total gross floor area of approximately 20,744.95 sq.m. is vested in Zhejiang Shenglong Decoration Material Co., Ltd. Details of the certificates are listed as follows:

Certificate No.	No. of Stories	Approximate Gross Floor Area (sq.m.)	Usage
Lin Fang Quan Zheng Jinnan Zi No. 300001544	1	1,604.57	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001545	1	5,227.26	Warehouse
Lin Fang Quan Zheng Jinnan Zi No. 300001546	1	993.38	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001547	1	993.38	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001548	1	1,024.07	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001549	2	1,031.82	Office
Lin Fang Quan Zheng Jinnan Zi No. 300001550	1	1,061.29	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001551	1	1,476.83	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001552	1	1,476.83	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001553	1	1,346.94	Workshop
Lin Fang Quan Zheng Jinnan Zi No. 300001554	2	2,034.99	Research Centre
Lin Fang Quan Zheng Jinnan Zi No. 300001555	2	1,479.85	Office
Lin Fang Quan Zheng Jinnan Zi No. 300001556	2	712.41	Canteen
Lin Fang Quan Zheng Jinnan Zi No. 300001557	1	199.59	Boiler Room
Lin Fang Quan Zheng Jinnan Zi No. 300001558	1	31.59	Guardroom
Lin Fang Quan Zheng Jinnan Zi No. 300001559	1	50.15	Generator
	Total:	**20,744.95**	

iii) Pursuant to the Business Licence (Uniform Social Credit Code No. 913301002540551910) dated 4 December 2015, Zhejiang Shenglong Decoration Material Co., Ltd. has been incorporated with a registered capital of RMB20,650,000 for an operating period from 19 November 1996 to 10 February 2034. The scope of business includes the processing and sales of decorative paper, gravure roller, melamine board, plastic products and the import and export of these products and their raw materials (Where the aforesaid scope of business involves pre-approval, it may be operated within the valid period of the approval). (Any item that needs to be approved by law can only be carried out after obtaining approval from relevant authorities.)

iv) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) The buildings and land use rights of the property are subject to a mortgage in favour of China Construction Bank Corporation Lin'an Branch (中國建設銀行股份有限公司臨安支行);

(b) The land premium and related taxes of the property have been fully settled;

(c) Zhejiang Shenglong Decoration Material Co., Ltd. holds the land use rights and building ownership of the property and has no legal obstacle to occupy, utilize, transfer, lease out, mortgage or otherwise deal with the property in accordance with the law;

(d) Zhejiang Shenglong Decoration Material Co., Ltd has clear title to the land use rights and building ownership of the property which are not subject to property disputes or potential disputes and except for the mortgage stated in note (a) above, the property is not subject to other guarantees or other restrictions on rights;

(e) Zhejiang Shenglong Decoration Material Co., Ltd. has not yet obtained the Construction Works Planning Permit for certain warehouses and other structures erected on the property which is therefore subject to legal defect. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of less than 10% of the construction cost; and

(f) According to the PRC legal advisor, although the ancillary structures of the property are subject to legal defects which may cause relevant planning authorities to order corrective measures or penalties, the likelihood of receiving penalties is relatively small. Furthermore, such structures are occupied for ancillary production and operation uses, and Zhejiang Shenglong Decoration Material Co., Ltd. has already taken clear remedial measures, so it will not cause significant adverse impact on the production of Zhejiang Shenglong Decoration Material Co., Ltd.

v) In the course of our valuation, we have attributed no commercial value to the ancillary structures of the property with a total gross floor area of approximately 3,744.00 sq.m. as proper title certificates have not been obtained by the Group.

vi) In our valuation, we have adopted an average unit rate of approximately RMB545.00 per sq.m. for the land portion of the property.

In the course our valuation of the land portion of the property, we have made reference to recent land sales transaction comparables of industrial use in the vicinity which have characteristics comparable to the property. The prices of those sales transaction references are about RMB455.00 to RMB601.00 per sq.m. for the land.

The unit rate adopted by us is consistent with the said sales transaction comparables for land after due adjustments. Due adjustments to the unit rates have been made to reflect factors including but not limited to time, location and size of the land portion of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2017
2	An industrial complex located at No. 55 Shangyang Road, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	The property comprises an industrial complex, erected on an irregular-shaped site formed by three contiguous parcels of land with a total site area of approximately 98,628.00 sq.m. The buildings of the industrial complex include 6 blocks of 1 to 3-storey buildings used as workshops and warehouses, having a total gross floor area of approximately 16,088.13 sq.m., and ancillary structures including toilet, a boiler room, a air compressor room, etc. having a total gross floor area of approximately 540.00 sq.m., all completed between 2013 and 2014. The land use rights of the property have been granted for terms expiring on 29 July 2061, 31 July 2063 and 26 April 2064 respectively for industrial use.	The property is mainly occupied by the Group for production and manufacturing use. A portion of land of the property with a site area approximately 1,519.09 sq.m. is subject to a tenancy rent free for a term of 20 years from 1 January 2015 to 31 December 2034. *(See Note (vi) below)*	RMB94,000,000 100% interest attributable to the Group: RMB94,000,000 *(See Note (ix) below)*

Notes :

i) Pursuant to 3 State-owned Land Use Rights Certificates issued by the People's Government of Lin'an City, the land use rights of the property with a total site area of approximately 98,628.00 sq.m. have been granted to Zhejiang Shenglong Decoration Material Co., Ltd., a wholly-owned subsidiary of the Company, for industrial use. Details of the certificates are listed as follows:

Certificate No.	Lot No.	Approximate Site Area *(sq.m.)*	Issue Date	Expiry Date
Lin Guo Yong (2013) No. 03685	004-505-176	26,274.00	16 Aug 2013	31 Jul 2063
Lin Guo Yong (2014) No. 02043	005203GB00551	15,241.00	5 May 2014	26 Apr 2064
Lin Guo Yong (2014) No. 06307	005202GB00555	57,113.00	24 Nov 2014	29 Jul 2061
	Total:	**98,628.00**		

ii) Pursuant to 6 Building Ownership Certificates issued by Lin'an City Real Estate Administration Bureau, the building ownership of 6 blocks of the property with a total gross floor area of approximately 16,088.13 sq.m. is vested in Zhejiang Shenglong Decoration Material Co., Ltd. Details of the certificates are listed as follows:

Certificate No.	No. of Stories	Approximate Gross Floor Area *(sq.m.)*	Usage	Registered Date
Lin Fang Quan Zheng Jinnan Zi No. 300040633	2	8,340.03	Workshop	14 Aug 2014
Lin Fang Quan Zheng Jinnan Zi No. 300040634	3	4,015.53	Workshop	14 Aug 2014
Lin Fang Quan Zheng Jinnan Zi No. 300044307	1	511.36	Workshop	20 Oct 2014
Lin Fang Quan Zheng Jinnan Zi No. 300044308	1	325.22	Warehouse	20 Oct 2014
Lin Fang Quan Zheng Jinnan Zi No. 300044309	1	2,781.19	Workshop	20 Oct 2014
Lin Fang Quan Zheng Jinnan Zi No. 300044389	1	114.80	Warehouse	21 Oct 2014
	Total:	**16,088.13**		

iii) Pursuant to the Grant Contract of State-owned Land Use Rights No. 3301852014A21026 entered into between 臨安市國土資源局 (State-owned Land Resources Bureau of Lin'an City) (the "**Bureau**") and Zhejiang Shenglong Decoration Material Co., Ltd. dated 27 March 2014, the Bureau agreed to grant the land use rights of a portion of the property to Zhejiang Shenglong Decoration Material Co., Ltd. The salient conditions stipulated in the said contract are summarised as follows:

a)	Site area	:	15,241 sq.m.
b)	Location	:	錦南街道楊岱村 (Yangdai Village, Jinnan Jie Dao)
c)	Land use	:	Industrial
d)	Land use term	:	50 years
e)	Land grant consideration	:	RMB6,172,605
f)	Gross floor area	:	13,716.90 sq.m. to 30,482.00 sq.m.
g)	Plot ratio	:	0.9 to 2.0
h)	Height limit	:	≤25 m
i)	Site coverage	:	≤40%
j)	Greenery ratio	:	≤20%

iv) Pursuant to the Grant Contract of State-owned Land Use Rights No. 3301852013A21097 entered into between the Bureau and Zhejiang Shenglong Decoration Material Co., Ltd. dated 12 July 2013, the Bureau agreed to grant the land use rights of a portion of the property to Zhejiang Shenglong Decoration Material Co., Ltd. The salient conditions stipulated in the said contract are summarised as follows:

a)	Site area	:	26,274 sq.m.
b)	Location	:	錦南街道楊岱村白塔塢地塊 (Land of Bai Ta Wu, Yangdai Village, Jinnan Jie Dao)
c)	Land use	:	Industrial
d)	Land use term	:	50 years
e)	Land grant consideration	:	RMB10,640,970
f)	Gross floor area	:	23,646.00 sq.m. to 52,548.00 sq.m.
g)	Plot ratio	:	0.9 to 2.0
h)	Height limit	:	not exceeding 25 m
i)	Site coverage	:	≥40%
j)	Greenery ratio	:	≤20%

v) Pursuant to the Grant Contract of State-owned Land Use Rights No. 3301852011A21117 entered into between the Bureau and Zhejiang Shenglong Decoration Material Co., Ltd. dated 30 July 2011, the Bureau agreed to grant the land use rights of a portion of the property to Zhejiang Shenglong Decoration Material Co., Ltd. The salient conditions stipulated in the said contract are summarised as follows:

a)	Site area	:	57,113 sq.m.
b)	Location	:	錦南街道楊岱村 (Yangdai Village, Jinnan Jie Dao)
c)	Land use	:	Industrial
d)	Land use term	:	50 years
e)	Land grant consideration	:	RMB17,990,595
f)	Gross floor area	:	102,803.40 sq.m.
g)	Plot ratio	:	1.0 to 1.8
h)	Height limit	:	not exceeding 24 m
i)	Site coverage	:	not less than 26% and not exceeding 45%
j)	Greenery ratio	:	not exceeding 20%

vi) Pursuant to the State-owned Land Use Rights Leasing Agreement entered into between Zhejiang Shenglong Decoration Material Co., Ltd. and 臨安綠能環保發電有限公司 (Lin'an Green Environmental Protection Power Company Limited) dated 28 December 2014, a portion of the land use rights of State-owned Land Use Rights Certificate No. Lin Guo Yong (2014) No. 06307 of the property with a site area of approximately 1,519.09 is provided for the use of Lin'an Green Environmental Protection Power Company Limited rent free for a term of 20 years from 1 January 2015 to 31 December 2034. At the same time, pursuant to the said contract, Lin'an Green Environmental Protection Power Company Limited has provided a portion of the land use rights of State-owned Land Use Rights Certificate No. Lin Guo Yong (2013) No. 00942 located at Shangpan Village, Jinnan Jie Dao with a site area approximately 1,519.09 for the use of Zhejiang Shenglong Decoration Material Co., Ltd. rent free for the same term.

vii) Pursuant to the Business Licence (Uniform Social Credit Code No. 913301002540551910) dated 4 December 2015, Zhejiang Shenglong Decoration Material Co., Ltd. has been incorporated with a registered capital of RMB20,650,000 for an operating period from 19 November 1996 to 10 February 2034. The scope of business includes the processing and sales of decorative paper, gravure roller, melamine board, plastic products and the import and export of these products and their raw materials (Where the aforesaid scope of business involves pre-approval, it may be operated within the valid period of the approval). (Any item that needs to be approved by law can only be carried out after obtaining approval from relevant authorities.)

viii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail :

(a) The buildings and land use rights of the property are subject to a mortgage in favour of Shanghai Pudong Development Bank Co., Ltd. Hangzhou Lin'an Breanch (上海浦東發展銀行股份有限公司杭州臨安支行);

(b) The land premium and related taxes of the property have been fully settled;

(c) Zhejiang Shenglong Decoration Material Co., Ltd. holds the land use rights and building ownership of the property and has no legal obstacle to occupy, utilize, transfer, lease out, mortgage or otherwise deal with the property in accordance with the law;

(d) Zhejiang Shenglong Decoration Material Co., Ltd has clear title to the land use rights and building ownership of the property which are not subject to property disputes or potential disputes and except for the mortgage stated in note (a) and the tenancy agreement stated in note (vi) above, the property is not subject to other guarantees or other restrictions on rights;

(e) Zhejiang Shenglong Decoration Material Co., Ltd. has not yet obtained the Construction Works Planning Permit for certain structures erected on the property which is therefore subject to legal defect. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of less than 10% of the construction cost;

(f) According to the PRC legal advisor, although the ancillary structures of the property are subject to legal defects which may cause relevant planning authorities to order corrective measures or penalties, the likelihood of receiving penalties is relatively small. Furthermore, such structures are occupied for ancillary production and operation uses, and Zhejiang Shenglong Decoration Material Co., Ltd. has already taken clear remedial measures, so it will not cause significant adverse impact on the production of Zhejiang Shenglong Decoration Material Co., Ltd; and

g) The leasing agreement in respect of the property is legally valid.

ix) In the course of our valuation, we have attributed no commercial value to the ancillary structures of the property with a total gross floor area of approximately 540.00 sq.m. as proper title certificates have not been obtained by the Group.

x) In our valuation, we have adopted an average unit rate of approximately RMB453.00 per sq.m. for the land portion of the property.

In the course our valuation of the land portion of the property, we have made reference to recent land sales transaction comparables of industrial use in the vicinity which have characteristics comparable to the property. The prices of those sales transaction references are about RMB455.00 to RMB601.00 per sq.m. for the land.

The unit rate adopted by us is consistent with the said sales transaction comparables for land after due adjustments. Due adjustments to the unit rates have been made to reflect factors including but not limited to time, location and size of the land portion of the property.

VALUATION CERTIFICATE

Group II — Property interests leased by the Group in the PRC

	Property	Description	Particulars of occupancy	Capital value in existing state as at 30 April 2017
3	Various parcels of land located at Shangpan Village and Yangdai Village, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	The property comprises various non-contiguous parcels of land with a total site area of approximately 95.64 mu (equivalent to approximately 63,760.32 sq.m.). It is situated in Shangpan Village and Yangdai Village, Jinnan Jie Dao, Lin'an City.	A portion of the property has ancillary structures erected thereon including a canteen, electrical room, a workshop and wastepaper room, etc. having a total gross floor area of approximately 1,200.00 sq.m., which are occupied by the Group for ancillary facilities, while the remaining portion of the property is currently a vacant site.	No Commercial Value

Notes :

i) The property is held by the Group pursuant to 2 Land Tenancy Agreements entered into among Zhejiang Shenglong Decoration Material Co., Ltd. (a wholly-owned subsidiary of the Company), 浙江省臨安市人民政府錦南街道辦事處 (Zhejiang Province Lin'an City People's Government Office of Jinnan Jie Dao, and hereinafter "People's Government Office of Jinnan Jie Dao") and each of 臨安市錦南街道上畔村民委員會 (Lin'an City Jinnan Jie Dao Shangpan Villager's Committee, and hereinafter "Shangpan Villager's Committee") and 臨安市錦南街道楊岱村民委員會 (Lin'an City Jinnan Jie Dao Yangdai Villager's Committee, and hereinafter "Yangdai Villager's Committee" and together with Shangpan Villager's Committee, the "Relevant Villager's Committees"), both dated 25 June 2015. According to the agreements:

(a) Due to the need for construction project land by Zhejiang Shenglong Decoration Material Co., Ltd., Zhejiang Shenglong Decoration Material Co., Ltd. and the People's Government Office of Jinnan Jie Dao entered into a Letter of Intent for Land Use on 20 August 2009. Pursuant to the Letter of Intent for Land Use, the People's Government Office of Jinnan Jie Dao shall carry out requisition of collective use land with a total site area of approximately 250 mu (equivalent to approximately 166,667.50 sq.m.) and the land compensation amount shall be borne by Zhejiang Shenglong Decoration Material Co., Ltd.

(b) The People's Government Office of Jinnan Jie Dao has carried out requisition of 100.36 mu (equivalent to approximately 66,907.00 sq.m.) and 143.27 mu (equivalent to approximately 95,513.81 sq.m.) from the Relevant Villager's Committees according to agreements dated 19 September 2010 and 23 December 2010 respectively. The People's Government Office of Jinnan Jie Dao has already settled the relevant land compensation for requisition to the Relevant Villager's Committees.

(c) Of the total site area of 243.63 mu (equivalent to approximately 162,420.81 sq.m.), a total site area of 147.99 mu (equivalent to approximately 98,660.49 sq.m.) has already been converted to construction use land for industrial use and transferred to Zhejiang Shenglong Decoration Material Co., Ltd. in accordance with the law. The remaining total site area of 95.64 mu (equivalent to approximately 63,760.32 sq.m.) cannot yet be converted, since the planning quota for agricultural use land conversion has not yet been obtained.

The parties of the agreements have agreed that the property shall be leased to the Group for a term from 19 September 2010 in respect of 38.07 mu (equivalent to approximately 25,380.13 sq.m.) and 23 December 2010 in respect of 57.57 mu (equivalent to approximately 38,380.19 sq.m.) until completion of land requisition and conversion of agricultural use land procedures. The tenancies do not involve rental payments and relevant land costs are already included in the final land compensation amount borne by Zhejiang Shenglong Decoration Material Co., Ltd.

ii) Pursuant to the Business Licence (Uniform Social Credit Code No. 913301002540551910) dated 4 December 2015, Zhejiang Shenglong Decoration Material Co., Ltd. has been incorporated with a registered capital of RMB20,650,000 for an operating period from 19 November 1996 to 10 February 2034. The scope of business includes the processing and sales of decorative paper, gravure roller, melamine board, plastic products and the import and export of these products and their raw materials (Where the aforesaid scope of business involves pre-approval, it may be operated within the valid period of the approval). (Any item that needs to be approved by law can only be carried out after obtaining approval from relevant authorities.)

iii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) The tenancy agreements in respect of the property are legally valid;

(b) Since the property has not yet been converted from agricultural use to construction use land, the property cannot be used for non-agricultural construction. After Zhejiang Shenglong Decoration Material Co., Ltd. has procured relevant government departments to complete land requisition procedures and conversion procedures from agricultural use land, and passing state-owned land transfer procedures to apply to construction use land, construction may be carried out;

(c) Ancillary structures of Zhejiang Shenglong Decoration Material Co., Ltd. have been erected on the property which are not in accordance with relevant laws regarding agricultural collective ownership land use, and so the property is subject to legal defect. Zhejiang Shenglong Decoration Material Co., Ltd. may be ordered to dismantle the structures, restore the land to its original state, or may have the structures confiscated, or may be subject to penalties between 5% and 20% of illegal gains. However, according to confirmation from Zhejiang Shenglong Decoration Material Co., Ltd., such structures are ancillary in nature, are not income generating and the possibility of a fine determined by illegal gains is small;

(d) Up to the date of the PRC legal opinion, Zhejiang Shenglong Decoration Material Co., Ltd. has paid a total land compensation amount of RMB4,900,000 for the land of the property. If Zhejiang Shenglong Decoration Material Co., Ltd. cannot obtain the aforementioned state-owned land use rights as undertaken by the People's Government Office of Jinnan Jie Dao, it shall be entitled to a full refund in respect of relevant land compensation amounts already paid; and

(e) According to the PRC legal advisor, although the ancillary structures of the property are subject to legal defects which may cause relevant planning authorities to order corrective measures or penalties, the likelihood of receiving penalties is relatively small. Furthermore, such structures are occupied for ancillary production and operation uses, and Zhejiang Shenglong Decoration Material Co., Ltd. has already taken clear remedial measures, so it will not cause significant adverse impact on the production of Zhejiang Shenglong Decoration Material Co., Ltd.

VALUATION CERTIFICATE

	Property	Description	Particulars of occupancy	Capital value in existing state as at 30 April 2017
4	A portion of Lot No. 004-506-550, Shangpan Village, Jinnan Jie Dao, Lin'an City, Zhejiang Province, the PRC	Lot No. 004-506-550 comprises a parcel of land with a registered site area of approximately 39,966.00 sq.m. It is situated in Shangpan Village, Jinnan Jie Dao, Lin'an City. The property comprises a portion of Lot No. 004-506-550, having a site area of approximately 1,519.09 sq.m.	A detection room has been erected on the property, having a gross floor area of approximately 115.00 sq.m., which is occupied by the Group for ancillary facilities.	No Commercial Value

Notes:

i) Pursuant to the State-owned Land Use Rights Leasing Agreement entered into between Zhejiang Shenglong Decoration Material Co., Ltd., a wholly-owned subsidiary of the Company, and 臨安綠能環保發電有限公司 (Lin'an Green Environmental Protection Power Company Limited) dated 28 December 2014, Lin'an Green Environmental Protection Power Company Limited has provided the property with a site area of approximately 1,519.09 sq.m. for the use of Zhejiang Shenglong Decoration Material Co., Ltd. rent free for a term of 20 years from 1 January 2015 to 31 December 2034. At the same time, pursuant to the said agreement, Zhejiang Shenglong Decoration Material Co., Ltd. has provided a portion of the land use rights of State-owned Land Use Rights Certificate No. Lin Guo Yong (2014) No. 06307 with a site area approximately 1,519.09 sq.m. for the use of Lin'an Green Environmental Protection Power Company Limited rent free for the same term.

ii) Pursuant to the State-owned Land Use Rights Certificate No. Lin Guo Yong (2013) No. 00942 dated 25 March 2013 issued by the People's Government of Lin'an City, the land use rights of Lot No. 004-506-550 with a site area of approximately 39,966.00 sq.m. have been granted to Lin'an Green Environmental Protection Power Company Limited for a term expiring on 9 March 2060 for industrial use.

iii) Pursuant to the Business Licence (Uniform Social Credit Code No. 913301002540551910) dated 4 December 2015, Zhejiang Shenglong Decoration Material Co., Ltd. has been incorporated with a registered capital of RMB20,650,000 for an operating period from 19 November 1996 to 10 February 2034. The scope of business includes the processing and sales of decorative paper, gravure roller, melamine board, plastic products and the import and export of these products and their raw materials (Where the aforesaid scope of business involves pre-approval, it may be operated within the valid period of the approval). (Any item that needs to be approved by law can only be carried out after obtaining approval from relevant authorities.)

iv) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail :

(a) The leasing agreement in respect of the property is legally valid;

(b) Zhejiang Shenglong Decoration Material Co., Ltd. has not yet obtained the Construction Works Planning Permit for certain structures erected on the property which is therefore subject to legal defect. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of less than 10% of the construction cost; and

(c) According to the PRC legal advisor, although the ancillary structures of the property are subject to legal defects which may cause relevant planning authorities to order corrective measures or penalties, the likelihood of receiving penalties is relatively small. Furthermore, such structures are occupied for ancillary production and operation uses, and Zhejiang Shenglong Decoration Material Co., Ltd. has already taken clear remedial measures, so it will not cause significant adverse impact on the production of Zhejiang Shenglong Decoration Material Co., Ltd.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 July 2013 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 June 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) ***Transfer of shares***

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) ***Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) ***Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) ***Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) ***Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) **Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 25 July 2013 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) **Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 29 November 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) **Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) **Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 July 2013 under the name of Splendecor International Limited (盛龙国际有限公司). On 30 August 2016, the name of our Company was changed to SHENGLONG SPLENDECOR INTERNATIONAL LIMITED(盛龍錦秀國際有限公司). Our Company's registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KYI-1108, Cayman Islands. Our Company has established a place of business in Hong Kong at Suite 1503-1504, 15/F, ICBC Tower, 3 Garden Road, Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 October 2016. In connection with such registration, Mr. Sung Pui Hei has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Law and our constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in authorised and issued share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. One share of our Company was allotted and issued nil-paid to the subscriber on 25 July 2013, and was transferred to Bright Commerce on the same day;

(b) On 25 July 2013, our Company allotted and issued 49,999 shares of US$1.00 par value each then in issue to Bright Commerce;

(c) On 20 April 2015, the authorised share capital of our Company was increased from US$50,000 divided into 50,000 shares of US$1.00 par value to the aggregate of US$50,000 and HK$100,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 par value each;

(d) On 20 April 2015, our Company allotted and issued 3,900,000 shares of HK$0.10 par value each to Bright Commerce;

(e) On 20 April 2015, our Company repurchased 50,000 shares of US$1.00 par value each held by Bright Commerce;

(f) On 20 April 2015, the authorised but unissued share capital of our Company was reduced by the cancellation of 50,000 shares of US$1.00 par value each, such that the authorised share capital of our Company became HK$100,000,000 divided into 1,000,000,000 shares of HK$0.10 each;

(g) On 20 April 2015, our Company allotted and issued 2,498,550, 300,000, 300,000, 300,000 shares of HK$0.10 par value each to Bright Commerce, Immense Global, Pioneer Treasure and Well Power, respectively;

(h) On 20 April 2015, our Company allotted and issued 2,701,450 shares of HK$0.10 par value each to Mr. Ren as consideration for Mr. Ren transferring his entire equity interests in Haoyu Capital to our Company pursuant to the sale and purchase agreement dated 20 April 2015 and entered into by Mr. Ren as seller and our Company as purchaser;

(i) On 22 June 2017, our Company subdivided all our issued and unissued shares of HK$0.10 par value each into 10 Shares of HK$ 0.01 par value each so that the authorised share capital of our Company has become HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 par value each;

(j) Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$5,000,000 divided into 500,000,000 Shares.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "4. Written Resolutions of our Shareholders passed on 22 June 2017" under the section headed "A. Further Information about our Company" in this appendix to this prospectus, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of the Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since our incorporation.

3. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the paragraphs headed "Our Corporate History" and "Reorganisation" under the section headed "History, development and Reorganisation" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 22 June 2017

On 22 June 2017, resolutions in writing were passed by our then Shareholders pursuant to which, among other things:

(a) our Company subdivided all our issued and unissued shares of HK$0.10 par value each into 10 Shares of HK$ 0.01 par value each so that the authorised share capital of our Company has become HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 par value each;

(b) our Company approved and adopted the Memorandum and, with effect from the Listing Date, the Articles of Association;

(c) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme, and (ii) the obligations of the Underwriting Agreements becoming unconditional (including), if relevant, as a result of the wavier of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates may be specified in the Underwriting Agreements:

(i). the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the Shares then in issue in all respects;

(ii). conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK$2,750,000 standing to the credit of the share premium account of our Company and to apply such sum in paying to pay up in full 275,000,000 Shares for allotment and issue to our Shareholder(s) whose name(s) was on the register of members of our Company as at the close of business the date of this Prospectus (or as our Shareholders) may direct (the "**Capitalisation Issue**"), each ranking pari passu in all respects with the then existing Shares in issue and our Directors were authorised to give effect to such appropriation capitalisation and distribution and to do all such things and sign all such documents in relation thereto;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "D. Share Option Schemes" in this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iv). a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of options granted under the Share Option Scheme or any other share option scheme of our Company, or pursuant to a specific authority granted by our Shareholders in general meetings, or under the Share Offer or the Capitalisation Issue, the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with the number of Shares of not exceeding 20.0% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

(v). a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares of not exceeding 10.0% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and

(vi). the general unconditional mandate as mentioned in sub-paragraph c above was extended by the addition to the number of the Shares which may be allotted, issued or dealt with by our Directors pursuant to or in accordance with such general mandate of an amount representing the number of the Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in sub-paragraph d above provided that such extended amount shall not exceed 10.0% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

5. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History, Development and the Reorganisation" in this prospectus.

6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) ***Provisions of the GEM Listing Rules***

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of Shares (which must be fully paid in the case of Shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 22 June 2017, the Repurchase Mandate was given to our Directors to repurchase our Shares as described above in "A Further information about our Company — 4 Written resolutions of our Shareholders passed on 22 June 2017"

(ii) *Source of Funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase our own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "core connected person" as defined in the GEM Listing Rules, which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) ***Exercise of the Repurchase Mandate***

On the basis of 500,000,000 Shares in issue immediately after the Listing of the Shares on the Stock Exchange, our Directors would be authorised under the Repurchase Mandate to repurchase up to 50,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) ***Funding of repurchase***

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25.0% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement (股權轉讓協議) dated 9 December 2015 entered into between Century Frontier and Splendecor Hong Kong, pursuant to which Splendecor Hong Kong agreed to acquire RMB7,140,000 in the registered capital of Splendor Decoration from Century Frontier at a consideration of RMB12,080,127.8, representing approximately 31.44% equity interest in Splendor Decoration;

(b) the Deed of Indemnity;

(c) the Deed of Non-Competition; and

(d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) ***Trademark***

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we believe to be material to our business:

Trademark	Proprietor	Class	Trade Mark number	Expiry date
SHENGLONG 盛龙	Shenglong Decoration	16, 17, 19, 27	303391876	28 April 2025
SPLENDECOR 锦秀 SPLENDECOR 锦秀	Shenglong Decoration	16, 17, 19, 27	303391894	28 April 2025
SPLENDECOR SPLENDECOR	Shenglong Decoration	16, 17, 19, 27	303391902	28 April 2025

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we believe to be material to our business:

Trademark	Class	Registrant	Registration Number	Expiry date
	18	Shenglong Decoration	1422738	20 July 2020
	16	Shenglong Decoration	1437531	27 August 2020
	7	Shenglong Decoration	1442312	6 September 2020
	16	Shenglong Decoration	5720706	27 December 2029
	16	Jiayou Art	9933637	13 November 2022
	16	Splendor Decoration	3714652	13 February 2026
	20	Splendor Decoration	3714653	6 February 2026
锦秀	16	Splendor Decoration	6278420	27 February 2020

(b) ***Domain name***

As at the Latest Practicable Date, our Group had registered the following domain name in the PRC which we believe to be material to our business:

Registered owner	Domain name	Registration date	Expiry date
Shenglong Decoration	shenglong1991.com	19 September 2014	19 September 2017
Splendor Decoration	splendecor.com	20 March 2003	20 March 2022

(c) ***Patents***

As a the Latest Practicable Date, members of our Group had been granted the following patents in the PRC including three inventions, 16 utility models and 32 designs:

Patent	Patent Owner	Patent Type	Validity Period	Patent Number
Nano aqueous inks for decorative paper and production method thereof (裝飾紙專用納米級水性油墨及其生產方法)	Shenglong Decoration	Invention	27 October 2008 to 26 October 2028	2008101217299
High brightness and concavity near decorative film and its manufacturing method (高光亮耐磨建材裝飾膜及其生產方法)	Shenglong Decoration	Invention	28 January 2014 to 27 January 2034	2014100408383
Manufacturing method for construction materials decorative film (建材裝飾膜生產方法)	Shenglong Decoration	Invention	28 January 2014 to 27 January 2034	2014100408862
Reeling machine for small decorative paper (裝飾紙小樣卷取機)	Shenglong Decoration	Utility Model	26 December 2016 to 25 December 2026	2012207357016
Mobile ladder with handrails and fence (帶扶手和圍欄的移動梯)	Shenglong Decoration	Utility Model	26 December 2016 to 25 December 2026	2012207331196
Printing rubber roller with convex patterns (帶凸型圖案的印刷膠輥)	Shenglong Decoration	Utility Model	27 November 2012 to 26 November 2022	2012206377239
Decorative paper with concavity wear layer (帶凹凸感耐磨層的裝飾紙)	Shenglong Decoration	Utility Model	27 November 2012 to 26 November 2022	2012206382010
Cooling device of hydraulic fluid chamber (液壓油箱冷卻裝置)	Shenglong Decoration	Utility Model	30 December 2011 to 29 December 2021	2011205666735
Bearings outer point applicable for two different printing board roller (兩種不同印刷版輥通用的軸承外套)	Shenglong Decoration	Utility Model	30 December 2011 to 29 December 2021	2011205666947
Motor machine external refueling device (電機機外加油裝置)	Shenglong Decoration	Utility Model	30 December 2011 to 29 December 2021	2011205668798

Patent	Patent Owner	Patent Type	Validity Period	Patent Number
Dispersion device for printing inks (印刷油墨分散裝置)	Shenglong Decoration	Utility Model	10 September 2009 to 9 September 2019	2009201958008
Fractional cylindrical surface for printing board roller (印刷版輥的分段式圓筒形版面)	Shenglong Decoration	Utility Model	27 August 2009 to 26 August 2019	200920192524X
Decorative paper sample printing machine (裝飾紙試樣印刷機)	Shenglong Decoration	Utility Model	27 August 2009 to 26 August 2019	2009201925220
Cleaning bracket for printing board roller (印刷版輥清洗托架)	Shenglong Decoration	Utility Model	27 August 2009 to 26 August 2019	2009201925235
Gluing machine for decorative paper sample (裝飾紙試樣上膠機)	Shenglong Decoration	Utility Model	27 October 2008 to 26 October 2018	2008201662061
Board roller body with white lines (帶留白線的版輥輥體)	Shenglong Decoration	Utility Model	27 October 2008 to 26 October 2018	2008201662042
Decorative paper with adhesive layer (帶膠粘劑層的裝飾紙)	Shenglong Decoration	Utility Model	27 October 2008 to 26 October 2018	2008201662038
Fractional oven coated paper printing unit (烘箱分段式塗布印刷單元)	Shenglong Decoration	Utility Model	27 October 2008 to 26 October 2018	2008201662057
Large diameter ultra-long intaglio roller (大版徑超長凹印版輥)	Shenglong Decoration	Utility Model	29 April 2016 to 28 April 2026	2016203769443
Decorative paper (15-005) (裝飾紙)(15-005)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302558696
Decorative paper (15-006) (裝飾紙)(15-006)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302559805
Decorative paper (15-007) (裝飾紙)(15-007)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302559078
Decorative paper (15-009) (裝飾紙)(15-009)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302558569
Decorative paper (15-011) (裝飾紙)(15-011)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302558554
Decorative paper (15-012) (裝飾紙)(15-012)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302559909
Decorative paper (15-016) (裝飾紙)(15-016)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302557975
Decorative paper (15-017) (裝飾紙)(15-017)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302560501
Decorative paper (15-018) (裝飾紙)(15-018)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302561307
Decorative paper (15-019) (裝飾紙)(15-019)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302562066

Patent	Patent Owner	Patent Type	Validity Period	Patent Number
Decorative paper (15-020) (裝飾紙)(15-020)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302560427
Decorative paper (15-021) (裝飾紙)(15-021)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302560145
Decorative paper (15-022) (裝飾紙)(15-022)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302560323
Decorative paper (15-023) (裝飾紙)(15-023)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302562051
Decorative paper (15-024) (裝飾紙)(15-024)	Shenglong Decoration	Design	16 July 2015 to 15 July 2025	2015302554892
Decorative paper (15-030) (裝飾紙)(15-030)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301732657
Decorative paper (15-031) (裝飾紙)(15-031)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301733062
Decorative paper (15-032) (裝飾紙)(15-032)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301731866
Decorative paper (15-033) (裝飾紙)(15-033)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301733611
Decorative paper (15-034) (裝飾紙)(15-034)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301731940
Decorative paper (15-036) (裝飾紙)(15-036)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301733950
Decorative paper (15-037) (裝飾紙)(15-037)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301733382
Decorative paper (15-038) (裝飾紙)(15-038)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301733378
Decorative paper (15-039) (裝飾紙)(15-039)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301732197
Decorative paper (15-040) (裝飾紙)(15-040)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301732572
Decorative paper (15-041) (裝飾紙)(15-041)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301731974
Decorative paper (15-042) (裝飾紙)(15-042)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301731851
Decorative paper (15-043) (裝飾紙)(15-043)	Shenglong Decoration	Design	1 June 2015 to 31 May 2025	2015301732106
Decorative paper (16-001) (裝飾紙)(16-001)	Shenglong Decoration	Design	27 April 2016 to 26 April 2026	2016301475332

Patent	Patent Owner	Patent Type	Validity Period	Patent Number
Decorative paper (16-002) (裝飾紙)(16-002)	Shenglong Decoration	Design	27 April 2016 to 26 April 2026	2016301475281
Decorative paper (16-003) (裝飾紙)(16-003)	Shenglong Decoration	Design	27 April 2016 to 26 April 2026	2016301475262
Decorative paper (16-004) (裝飾紙)(16-004)	Shenglong Decoration	Design	27 April 2016 to 26 April 2026	2016301475313

3. Further Information about our Group's PRC Subsidiaries

(a) *Shenglong Decoration*

Nature of the company	Limited liability company (wholly foreign-owned enterprise)
Term of business operation	From 19 November 1996 to 10 February 2034
Registered capital	RMB20.65 million
Attributable interest of our Company	100.0%
Scope of business	Manufacturing and sales of decorative paper, gravure plate rollers, melamine impregnated paper, plastic products and import and export of above products and their raw material (business operation subject to the licensed scope of business during the effective period in relation to projects that need administrative approval) (the approval to be obtained for business shall commence the operation after the approved by the relevant authorities)
Legal representative	Mr. Sheng

(b) *Splendor Decoration*

Nature of the company	Limited liability company (Sino-foreign joint venture)
Term of business operation	From 23 November 1999 to 22 November 2049
Registered capital	RMB22.71 million
Attributable interest of our Company	100.0%
Scope of business	Manufacturing of decorative paper and melamine board
Legal representative	Mr. Sheng

(c) ***Jiayou Art***

Nature of the company	Limited liability company
Term of business operation	From 28 June 2011 to 27 June 2031
Registered capital	RMB3.0 million
Attributable interest of our Company	100.0%
Scope of business	Manufacturing and sales of craft picture (canvas craft picture and iron craft picture); service of printing and photocopying; sales of chemicals and chemical raw materials (except the dangerous chemicals and precursor chemicals) , building materials (except the dinas), decorative material, furniture, plastic products, machines, arts and crafts; service of culture and artistic plan, laser imaging and graphic design; import and export of products (except for the prohibited business by the laws and regulations, and the restricted business operation subject to the administrative approval).
Legal representative	Mr. Fang

C. DISCLOSURE OF INTEREST

1. Interests and short positions of our Directors and our chief executives of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations following the completion of the Share Offer and the Capitalisation Issue

Immediately following completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange will be as follows:

Long position in Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding interests
Mr. Sheng	Interests in controlled corporation (Note 1)	239,950,000	47.99%
Ms. Chen Deqin	Interest of spouse (Note 2)	239,950,000	47.99%

Notes:

1. The issued capital of Bright Commerce is wholly-owned by Mr. Sheng. Therefore, Mr. Sheng is deemed or taken to be interested in all the Shares held by Bright Commerce for the purpose of the SFO.

2. Ms. Chen Deqin is the spouse of Mr. Sheng. Accordingly, Ms. Chen Dequin is deemed or taken to be interested in all the Shares which Mr. Sheng is interested for the purpose of the SFO.

2. Interests of substantial Shareholders in our Shares, underlying Shares and debentures of our Company and its associated corporations

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding interests
Bright Commerce	Beneficial owner	239,950,000	47.99%
Mr. Ren	Beneficial owner	101,300,000	20.26%
Ms. Lin Ying	Interest of spouse(Note 1)	101,300,000	20.26%

Notes:

1. Ms. Lin Ying is the spouse of Mr. Ren. Accordingly, Ms. Lin Ying is deemed or taken to be interested in all the Shares which Mr. Ren is interested for the purpose of the SFO.

3. Particulars of service agreements

(a) ***Executive Directors***

Each of our executive Directors has entered into a service agreement with our Company pursuant to which he or she has agreed to act as an executive Director for a term of three years with effect from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless either party has given not less than three month's written notice before the expiry of the then existing term.

(b) ***Independent non-executive Directors***

Each of our independent non-executive Directors has been appointed for a fixed term of one year with effect from the Listing Date, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party giving not less than three months' written notice before the expiry of the then existing term. Save for the directors' fees, none of our independent non-executive Directors is expected to receive any other emolument for holding his or her office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Remuneration of Directors

(a) The aggregate remunerations (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by our Group to our Directors for each of the three years ended 31 December 2016 were approximately RMB828,000, RMB1.17 million and RMB1.75 million, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately RMB2.3 million.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our executive Directors for the year ending 31 December 2017 will be as follows:

Executive Directors	*RMB*
Mr. Sheng Yingming	1,260,000
Ms. Sheng Sainan	288,000
Mr. Fang Xu	354,000
Mr. Yu Zemin	354,000

Subject to each of the terms and conditions of letters of appointment to be entered into by and between our Company and independent non-executive Directors, the proposed annual director's fee to each of our independent Directors for the year ending 31 December 2017 will be as follows:

Independent non-executive Directors	*RMB*
Mr. Lee Ho Yiu Thomas	108,000
Mr. Ma Lingfei	80,000
Ms. Huang Yueyuan	80,000

(d) Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his or her duties to our Group under the service agreement.

5. Fees or commission received

Save as disclosed in the paragraph headed "Underwriting arrangements and expenses — Total commission, fee and expenses" under the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "Qualifications of expert" in this appendix had received any agency fee or commissions from our Group within the two years immediately preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions are set out under note 34 to the Accountant's Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

(a) without taking into account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once our Shares are listed;

(c) none of our Directors or the experts named in paragraph headed "Qualifications of expert" in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors or the experts named in the paragraph headed "Qualifications of expert" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(e) none of the experts named in paragraph headed "Qualifications of expert" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 June 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	22 June 2017, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 22 June 2017:

1. ***Purpose of our Share Option Scheme***

The purpose of our Share Option Scheme is to recognize and acknowledge the contributions made by the Participants, to attract skilled and experienced personnel, to incentivize them to remain with our Company and to motivate them to strive for the future development and expansion of our Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in our Company.

2. ***Participants of our Share Option Scheme and the basis of determining the eligibility of the participants***

Our Board may from time to time grant options to any individual who is an employee of our Group (including directors) or any entity in which our Company holds any equity interest (the "**Invested Entity**") and such other persons who has or will contribute to our Company as approved by our Board from time to time (the "**Participants**") on the basis of their contribution to the development and growth of our Group.

3. ***Status of our Share Option Scheme***

(a) *Conditions of our Share Option Scheme*

Our Share Option Scheme shall take effect subject to: (i) the commencement of dealings in our Shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt our Share Option Scheme by our Shareholders; (iii) the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise; and (iv) the Listing Division approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under our Share Option Scheme (the "**Conditions**").

(b) *Life of our Share Option Scheme*

Our Share Option Scheme shall be valid and effective for 10 years from the date on which the last of the Conditions is fulfilled (the "**Scheme Period**"), after which time no further option will be granted but the provisions of our Share Option Scheme shall remain in full force and effect in all other respects. The total number of Shares that may be allotted and issued upon the exercise of all options to be granted under our Share Option Scheme initially must not in aggregate exceed the number of shares in issue as at the Listing Date.

4. ***Grant of options***

(a) *Making of an offer*

An offer of the grant of an option shall be made to a Participant by letter (the "**Offer Letter**") in such form as our Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted (which may include a minimum period for which the option must be held before it can be exercised and a performance target that must be reached before the option can be exercised in whole or in part) and to be bound by the provisions of our Share Option Scheme (including any operational rules made under our Share Option Scheme). The offer shall remain open for acceptance for such time to be determined by our Board provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of our Share Option Scheme.

(b) *Acceptance of an offer*

An option shall be deemed to have been granted to (subject to certain restrictions in our Share Option Scheme), and accepted by, the Participant (the "**Grantee**") and to have taken effect after we receive the Offer Letter signed by the Grantee together with a remittance in favour of our Company of HK$1.0 or the equivalent amount in any currency by way of consideration for the grant of the option on or before the last day for acceptance as defined by our Board. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(c) *Restrictions on time of grant*

No grant of options shall be made after a inside information in relation to the securities of our Company has occurred or inside information matter in relation to the securities of our Company has been the subject of a decision, until the inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(i) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules or quarterly or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) *Grant to connected persons*

Any grant of options to a connected person must be approved by all our independent non-executive Directors who is a proposed Grantee of the options).

(e) *Grant to substantial shareholders and independent non-executive Directors*

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by our Shareholders in general meeting if our Shares issued and to be issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed date of such grant:

(i) would represent in aggregate more than 0.1% of our Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million (or such other amount as shall be permissible under the GEM Listing Rules from time to time).

(f) *Proceedings in general meeting to approve the grant of option*

At the general meeting to approve the proposed grant of options under paragraph (e), the grantee, his associates and all core connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the GEM Listing Rules.

5. ***Subscription price***

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by our Board in its sole and absolute discretion but in any event shall be at least the highest of:

(i) the closing price of our Shares as stated in the stock Exchange's daily quotations sheets on the date on which the option is offered, which must be a business day (the "**Offer Date**");

(ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the par value of our Shares,

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which our Shares are to be offered for subscription pursuant to the Share Offer shall be used as the closing price for any business day falling within the period before the Listing Date.

6. ***Maximum number of Shares available for subscription***

(a) *Scheme Mandate*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under our Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (the "**Scheme Mandate**"), being 50,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the 10% limit.

(b) *Renewal of Scheme Mandate*

Our Company may seek approval by our Shareholders in general meeting for renewing or increasing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under our Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders' approval. Options previously granted under our Share Option Scheme and any other Share Option Schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules must be sent to our Shareholders.

(c) *Grant of Options beyond Scheme Mandate*

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval in sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer as required under 23.02(4) of the GEM Listing Rules.

(d) *Maximum number of Shares issued pursuant to Options*

Notwithstanding anything to the contrary in our Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under our Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) *Grantee's maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the GEM Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under the GEM Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Participant must be fixed before our Shareholders' approval. The date of the Board meeting for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) *Adjustment*

The number of Shares subject to the options issued pursuant to our Share Option Scheme may be adjusted in such manner as our Company's independent financial adviser or auditor (acting as expert and not as arbitrator) shall certify in writing to our Board to be in its opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

7. ***Reorganization of capital structure***

(a) *Adjustment of options*

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) to:

(i) the number of Shares subject to the option so far as unexercised;

(ii) the Subscription Price; or

(iii) the number of Shares subject to our Share Option Scheme;

that are required to give each Grantee as near as possible the same proportion of share capital as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes), but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustments to the Subscription Price and number of Shares should be made to the advantage of the Participants without specific prior approval of our Shareholders.

(b) *Auditors/independent financial adviser confirmation*

On any capital reorganisation other than a capitalisation issue, the auditors or an independent financial adviser shall certify in writing to our Board that the adjustments made by our Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

8. ***Cancellation of options***

Subject to the consent from the relevant Grantee, our Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of our Share Option Scheme.

9. ***Assignment of options***

An option is personal to the Grantee and shall not be transferable or assignable.

10. ***Options attached to our Shares***

Our Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles of Association and will rank pari passu with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the "**Registration Date**"). Accordingly our Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee shall have no rights as Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

11. ***Exercise of options***

(a) *General*

The period during which an option may be exercised in accordance with the terms of our Share Option Scheme (the "**Option Period**") shall be the period of time to be notified by our Board to each Grantee, which our Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(b) *Rights of Grantee upon his retirement or death*

If the Grantee ceases to be a Participant by reason of retirement, death or disability, the option shall vest immediately at the date of cessation and the Grantee or his legal personal representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as our Board may determine) to exercise the option (to the extent not already exercised).

(c) *Rights of Grantee upon his cessation of employment under certain circumstances*

In the Grantee ceases to be a Participant for any reason other than his retirement or death or disability or termination of his employment on one or more of the grounds specified in sub-paragraph 12(iv) below or the termination of his business relation with the relevant member of our Group, the Grantee may exercise the option up to his or her entitlement at the date of cessation.

(d) *Rights on a takeover*

In the event a general or partial offer, whether by way of take-over offer, or a take-over by way of a scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror and the take-over offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent not already exercised), within one month from the date the take-over offer is declared unconditional.

(e) *Rights on a voluntary winding up*

In the event of a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this sub-paragraph 11(e)). Upon receipt of such notice, each Grantee (or where permitted under sub-paragraph 11(b) his legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for our Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(f) *Rights on a compromise or arrangement*

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to our Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court, exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with our Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. ***Lapse of options***

An option where vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(a) to (f) above;

(iii) in respect of a Grantee (being a Director or employee of our Group or Invested Entity) who ceases to be engaged by our Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(iv) below, the last date on which such Grantee was at work with our Group or the Invested Entity (whether salary is paid in lieu of notice or not);

(iv) the date on which the Grantee (being a Director or employee of our Group or Invested Entity) ceases to be a Participant by reason of the termination of his employment on any one or more of the following grounds:

(a) that he has been guilty of misconduct; or

(b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or

(c) that he has been convicted of a criminal offence involving his integrity or honesty; or

(d) any misconduct based on the sole and absolute option of our Company; or

(e) and a resolution of our Board or our Board of Directors of the relevant subsidiary of our Company to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(iv) shall be conclusive;

(v) in the event of the Grantee not being a Director or employee of our Group or Invested Entity, the date on which our Board in its sole and absolute discretion resolves that such Grantee ceases to be qualified as a Participant by reason of termination of its business relations with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as our Board considers appropriate;

(vi) the date on which the Grantee commits a breach of paragraph 9 above;

(vii) if an option is granted subject to certain conditions, restrictions or limitations, the date on which our Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitations; and

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

13. ***Amendment of our Share Option Scheme***

The specific provisions of our Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of our Board in relation to any alteration of the terms of our Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of our Share Option Scheme which are of material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where alterations take effect automatically under the existing terms of our Share Option Scheme. Our Share Option Scheme so altered must comply with Chapter 23 of the GEM Listing Rules.

14. ***Termination***

Our Company may at any time terminate the operation of our Share Option Scheme by resolution of our Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of our Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of our Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of our Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under our Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Sheng and Bright Commerce (collectively, the "**Indemnifiers**") have, under a Deed of Indemnity referred to "— B. Further information about the business of our Group — 1. Summary of material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things,

(a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional;

(b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;

(c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional;

(d) all the fines, penalties, administrative or other charges, levies, payments, orders, eviction or restraint from use of any property owned or leased by any member of our Group which may be imposed on any member of our Group in relation to events occurred on or before the Listing Date, or any damages, losses, liabilities, claims, expenses and costs (including all costs for relocation of any member of our Group and its assets from any property owned, leased occupied or used by any member of our Group in case of it being subject to any eviction or restraint from use of such property), or damages, liabilities, claims, losses (including loss of profits or benefits) incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong on all matters on or before the Listing Date and in connection with any property owned, leased, occupied or used by any member of our Group before the Listing Date;

(e) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional; and

(f) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any violation or non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional, including an such non-compliance incidents disclosed in Business-Non-Compliance incidents.

The Indemnifiers will however not be liable under the Deed of Indemnity for taxation to the extent that:

(a) to the extent that full provision has been made for such taxation claims in the audited accounts of the Company for the Track Record Period as set out in Appendix I to this Prospectus (the "**Accounts**");

(b) the taxation falling on any of the member of our Group on or after 1 January 2017 unless the liability for such taxation would not have arisen but for some act or omission of, or delay by, or transaction voluntarily effected by any of the member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets or pursuant to a legally binding commitment created after 1 January 2017;

(c) the taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, the Cayman Islands, the PRC, BVI or any other part of the world) coming into force after the date on which the Share Offer becomes unconditional or such claim arises or is increased by an increase in rates of taxation after the date on which the Share Offer becomes unconditional with retrospective effect; or

(d) any provisions or reserve made for taxation in the Accounts which is finally established to be over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation should be reduced by an amount not exceeding such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, to the best of our Directors' knowledge, there was no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial conditions or results of operations.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options granted under the Share Option Scheme.

The Sole Sponsor satisfies the independent criteria applicable to sponsors as set out in the GEM Listing Rules. The Sole Sponsor's fees are HK$5.2 million, which relate solely to services provided by the Sole Sponsor in the capacity of a sponsor.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately RMB48,000 and are payable by our Company.

5. Promoter

Our Company does not have any promoter.

6. Qualifications and consents of expert

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus, and have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion of their letter, report, and/or valuation certificate opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

Name	Qualifications
Messis Capital Limited	Licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

Appleby	Legal advisers as to Cayman Islands Laws
King & Wood Mallesons	Legal advisers as to PRC Laws
Peak Vision Appraisals Limited	Property Valuer
DLA Piper UK LLP	Legal advisers as to International Sanctions

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

8. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares

(a) ***Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) ***The Cayman Islands***

Transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty, as long as our Company does not hold any interests in land in the Cayman Islands.

(c) ***Consultation with professional advisers***

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. Miscellaneous

Save as disclosed herein:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and

(iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.

(b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016, being the date on which the latest audited financial information of our Group was reported in the Accountant's Report set out in Appendix I to this prospectus;

(d) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus; and

(e) there is no arrangement under which financial dividends are waived or agreed to be waived.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) the written consents referred to under the section headed "Other information — Consents of expert" in Appendix V to this prospectus; and (c) copies of the material contracts referred to under the section headed "Further information about the business of our Group — Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Vivien Teu & Co LLP in association with Llinks Law Offices at Suite 1503-1504, 1511, 15/F, ICBC Tower, 3 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountant's report of our Company dated the date of this prospectus prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report on unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(d) the audited financial statements of our Group for the three years ended 31 December 2014, 2015 and 2016;

(e) the letter, summary of values and valuation certificates relating to property interests prepared by Peak Vision Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;

(f) the material contracts referred to under the section headed "Further information about the business of our Group — Summary of material contracts" in Appendix V to this prospectus;

(g) the service agreements referred to under the section headed "Further information about substantial shareholders, Directors and experts — Particulars of service agreements" in Appendix V to this prospectus;

(h) the legal opinions on our Group's operations and property interests in the PRC issued by King & Wood Mallesons, the PRC Legal Advisers;

(i) the legal memorandum issued by DLA Piper UK LLP, our International Sanctions Legal Advisers;

(j) the rules of the Share Option Scheme;

(k) the written consents referred to under the section headed "Other information — Consents of experts" in Appendix V to this prospectus;

(l) the Companies Law; and

(m) the letter of advice prepared by Appleby, our legal advisers as to Cayman Islands Law, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus.

Shenglong Splendecor International Limited
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