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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)

2017

INTERIM REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (the "Group") is principally engaged in the manufacturing and sales of decorative printing materials products which mainly comprise of (i) decorative paper; (ii) melamine impregnated paper, (iii) finish foil paper; (iv) polyvinyl chloride ("PVC") furniture film; and (v) PVC flooring film. For the six months ended 30 June 2017, the Group served over 400 customers in both domestic and oversea markets. The oversea sales reached over 30 countries in Asia, North America, South America, Europe, Oceania and Africa.

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 June 2017 (the "Period") was approximately RMB145.4 million, representing an increase of approximately 26.0% over the corresponding period of last year. The increase in the Group's revenue was due to the significant increase in the sales of melamine impregnated paper, PVC flooring film and PVC furniture film during the Period. The following table set forth the breakdown of the revenue by products:

Revenue by products

	Six months ended 30 June			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Decorative paper	**86,412**	**59.4**	88,665	76.8
Melamine impregnated paper	**35,417**	**24.4**	7,384	6.4
Finish foil paper	**9,416**	**6.5**	9,791	8.5
PVC furniture film	**3,866**	**2.7**	1,881	1.6
PVC flooring film	**9,788**	**6.7**	7,160	6.2
Others	**474**	**0.3**	521	0.5
	145,373	**100.0**	115,402	100.0

Due to the establishment of cooperation with certain sizable PRC-based furniture manufacturers, the Group recorded a significant increase in the sales of melamine impregnated paper by approximately 379.6% as compared to the corresponding period of last year. PVC furniture film and PVC flooring film continued to be one of the growth drivers of the Group. As a result of continuous growing of orders from these products, the sales of PVC furniture film and PVC flooring film achieved a significant growth during the Period. The sales from these PVC decorative film products increased by approximately 51.0% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

We experienced an increase in purchase costs of our key raw materials, in particular the base paper and PVC mould, which the average purchase costs increased by approximately 10.2% and 6.9% as compared to that of 2016, respectively. As a result of increase in purchase costs of the raw materials, the Group's gross profit margin during the Period dropped to approximately 24.4% (2016: 28.0%).

Other income and other gains – net

The Group's other income and other gains decreased by approximately RMB1.0 million or 50.9%, to approximately RMB1.0 million during the Period from approximately RMB2.0 million for the six months ended 30 June 2016, primarily resulting from (i) the decrease in rental income, as the Group sold the investment properties in July 2016, which was designated as rental purpose; and (ii) the decrease in foreign exchange difference as a result of the appreciation of RMB against US Dollars.

Selling expenses

The Group's selling expenses increased by approximately RMB2.4 million or 45.6%, to approximately RMB7.7 million for the six months ended 30 June 2017 from approximately RMB5.3 million for the six months ended 30 June 2016. The increase was primarily due to the payment of licensing fee to one of its customers for using the customer's registered trademarks.

Administrative expenses

The administrative expenses for the six months ended 30 June 2017 were approximately RMB18.8 million, representing an increase of approximately 34.5% from approximately RMB14.0 million for the corresponding period of last year. The increase was mainly because of the increase in the listing expenses from approximately RMB0.6 million for the six months ended 30 June 2016 to approximately RMB4.6 million for the Period.

Finance expenses – net

The Group's finance expenses-net decreased by approximately RMB1.0 million or 44.6%, to approximately RMB1.3 million for the six months ended 30 June 2017 from approximately RMB2.3 million for the six months ended 30 June 2016. The reason for this was primarily due to the decrease in interest expenses on bank borrowings as a result of the decrease in average bank borrowings during the Period as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

As a result of the foregoing, in particular the increase in the listing expenses by RMB4.0 million, the Group recorded a profit attributable to owners of the Company of approximately RMB6.7 million compared to approximately RMB10.9 million for the six months ended 30 June 2016, representing a decrease of approximately 38.8%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Group financed its operations with internally generated resources and bank borrowings. As at 30 June 2017, the Group had current assets of approximately RMB159.8 million (31 December 2016: RMB154.3 million) which comprised cash and cash equivalents of approximately RMB2.5 million (31 December 2016: RMB11.3 million). As at 30 June 2017, the Group had current liabilities amounted to approximately RMB220.0 million (31 December 2016: RMB189.3 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.73 times as at 30 June 2017 (31 December 2016: 0.81 times). The decrease in current ratio was mainly due to the increase in short-term bank borrowings and current portion of long-term bank borrowings by approximately RMB25.4 million.

The gearing ratio of the Group, calculated based on the interest-bearing liabilities divided by the total equity, was approximately 1.12 as at 30 June 2017 (31 December 2016: 1.17).

FOREIGN EXCHANGE EXPOSURE

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

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

CAPITAL COMMITMENTS

As at 30 June 2017, the capital expenditure which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of property, plant and equipment amounted to approximately RMB17.8 million (31 December 2016: RMB3.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES

As at 30 June 2017, the Group had 328 employees (31 December 2016: 322 employees), including the executive Directors. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposals of the Group during the Period.

CHARGES OF ASSETS

As at 30 June 2017, the Group's bank borrowings are secured by its assets as below:

Land use rights with a total net book value of approximately RMB43.3 million (31 December 2016: RMB43.8 million) were pledged as collateral for the Group's borrowings.

Property, plant and equipment with a total net book value of approximately RMB14.7 million (31 December 2016: RMB15.3 million) were pledged as collateral for the Group's borrowings.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 17 July 2017 and the net proceeds are estimated to be approximately HK$52.8 million. The Company intends to apply (i) approximately 71.8%, or HK$37.9 million, for enhancing production capacity; (ii) approximately 19.2%, or HK$10.1 million, for repaying the bank loans; and (iii) the balance of approximately 9.0% or HK$4.8 million, for using as general working capital of the Group.

Up to the date of this report, we have utilised approximately HK$1.2 million for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The rapid development of the property market worldwide creates demand for the 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 as a substitute material.

Moreover, the strategy of "The Belt and Road Initiative" issued in 2015 facilitates the cooperation along the "Belt and Road" countries, including the investment in infrastructures and resources, which would inevitably promote the development of tourism real estate and commercial complex. This further escalates the need for decorative paper.

Despite the recent challenge of the increase in purchase costs of raw materials, the Directors are optimistic about the development of the decorative printing materials business. In view of the aforesaid market development and the support of government policies, the Group would continue to explore new market and capture the emerging business opportunities.

The board of directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2017 together with the comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2017

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Revenue	6	**83,546**	63,524	**145,373**	115,402
Cost of sales		**(64,100)**	(43,925)	**(109,896)**	(83,079)
Gross profit		**19,446**	19,599	**35,477**	32,323
Selling expenses		**(4,149)**	(3,612)	**(7,688)**	(5,281)
Administrative expenses		**(10,264)**	(8,347)	**(18,836)**	(14,005)
Other income and other gains – net	7	**472**	1,399	**994**	2,025
Operating profit	8	**5,505**	9,039	**9,947**	15,062
Finance income		**156**	115	**291**	220
Finance expenses		**(770)**	(1,090)	**(1,566)**	(2,521)
Finance expenses – net		**(614)**	(975)	**(1,275)**	(2,301)
Profit before income tax		**4,891**	8,064	**8,672**	12,761
Income tax expense	9	**(959)**	(1,250)	**(1,991)**	(1,845)
Profit for the period		**3,932**	6,814	**6,681**	10,916
Profit attributable to:					
– Owners of the Company		**3,932**	6,814	**6,681**	10,916
Earnings per share for profit attributable to owners of the Company for the period		**RMB cents**	RMB cents	**RMB cents**	RMB cents
– Basic and diluted	10	**1.05**	1.82	**1.78**	2.91

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period	**3,932**	6,814	**6,681**	10,916
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences	**(117)**	(796)	**216**	(163)
Other comprehensive income for the period, net of tax	**(117)**	(796)	**216**	(163)
Total comprehensive income for the period	**3,815**	6,018	**6,897**	10,753
Total comprehensive income for the period attributable to:				
– Owners of the Company	**3,815**	6,018	**6,897**	10,753

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
ASSETS			
Non-current assets			
Land use rights		**43,293**	43,822
Prepayments for land use rights		**4,900**	4,900
Property, plant and equipment	*11*	**138,656**	125,886
Intangible assets		**967**	1,270
Deferred income tax assets		**3,007**	3,091
		190,823	178,969
Current assets			
Inventories	*12*	**44,279**	37,554
Trade and other receivables	*13*	**81,681**	67,541
Restricted bank deposits		**31,355**	37,820
Cash and cash equivalents		**2,477**	11,344
		159,792	154,259
Total assets		**350,615**	333,228
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*14*	**790**	790
Other reserves		**38,117**	37,901
Retained earnings		**58,105**	51,424
Total equity		**97,012**	90,115

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*15*	**30,000**	52,000
Deferred income		**3,614**	1,796
		33,614	53,796
Current liabilities			
Trade and other payables	*16*	**141,389**	136,117
Short-term bank borrowings	*17*	**56,600**	33,200
Current portion of long-term bank borrowings	*15*	**22,000**	20,000
		219,989	189,317
Total liabilities		**253,603**	243,113
Total equity and liabilities		**350,615**	333,228
Net current liabilities		**(60,197)**	(35,058)
Total assets less current liabilities		**130,626**	143,911

The notes on pages 15 to 34 are an integral part of these interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity owners of the Company					
	Share capital (Note 14) RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)	Non-controlling interests RMB'000 (unaudited)	Total equity RMB'000 (unaudited)
Balance at 1 January 2016	790	34,442	32,661	67,893	13,950	81,843
Comprehensive income						
Profit for the period	–	–	10,916	10,916	–	10,916
Other comprehensive income						
Currency translation differences	–	(163)	–	(163)	–	(163)
Total comprehensive income	–	(163)	10,916	10,753	13,950	10,753
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 30 June 2016	790	38,116	41,609	80,515	–	80,515

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity owners of the Company					
	Share capital (Note 14) RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)	Non-controlling interests RMB'000 (unaudited)	Total equity RMB'000 (unaudited)
Balance at 1 January 2017	**790**	**37,901**	**51,424**	**90,115**	**–**	**90,115**
Comprehensive income						
Profit for the period	–	–	6,681	6,681	–	6,681
Other comprehensive income						
Currency translation differences	–	216	–	216	–	216
Total comprehensive income	–	216	6,681	6,897	–	6,897
Balance at 30 June 2017	**790**	**38,117**	**58,105**	**97,012**	**–**	**97,012**

The notes on pages 15 to 34 are an integral part of these interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(827)**	5,152
Income tax paid	**(320)**	(651)
Net cash (used in)/generated from operating activities	**(1,147)**	4,501
Cash flows from investing activities		
Purchase of property, plant and equipment	**(13,968)**	(12,680)
Purchase of intangible assets	**(4)**	(57)
Payment of amount due from related parties	**–**	(14,106)
Proceed from disposal of available-for-sale financial assets	**–**	5,000
Proceed from disposal of intangible assets	**197**	–
Decrease in restricted bank deposits	**6,465**	8,070
Government grants received	**–**	43
Receipt of amount due from related parties	**800**	15,803
Interest received	**291**	220
Net cash (used in)/generated from investing activities	**(6,219)**	2,293

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from financing activities		
Proceeds from bank borrowings	**42,400**	46,500
Repayments of bank borrowings	**(39,000)**	(47,100)
Interest paid	**(2,887)**	(4,147)
Receipt of amount due to related parties	**–**	3,063
Payment of amount due to related parties	**(246)**	(8,000)
Payment for listing expenses	**(1,770)**	(30)
Net cash used in financing activities	**(1,503)**	(9,714)
Net decrease in cash and cash equivalents	**(8,869)**	(2,920)
Cash and cash equivalents at beginning of the period	**11,344**	9,124
Exchange gains on cash and cash equivalents	**2**	29
Cash and cash equivalents at end of the period	**2,477**	6,233

The notes on pages 15 to 34 are an integral part of these interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability under the Cayman Companies Law of the Cayman Island. The 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 Group are principally engaged in the manufacturing and sales of decorative printing materials products in the PRC and overseas. The ultimate holding company of the Company is Bright Commerce Investment Limited ("Bright Commerce"), which is incorporated in the British Virgin Islands.

The unaudited condensed consolidated financial information are presented in Renminbi (RMB), unless otherwise stated.

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.

2 Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the Group's consolidated financial information for the year ended 31 December 2016 included in the Accountant's Report (the "Accountant's Report") in Appendix I to the prospectus of the Company dated 30 June 2017 (the "Prospectus"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of presentation *(Continued)*

Going Concern

The Group's current liabilities exceeded its current assets by RMB60.2 million as at 30 June 2017. As at 30 June 2017, the Group had capital commitments amounting to RMB17.8 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 30 June 2017; and have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the consolidated financial information based on the following assessments:

(a) As at 30 June 2017, the Group's total borrowings amounted to RMB108.6 million, of which RMB78.6 million will be due within twelve months from 30 June 2017, and the Group's bank acceptance notes payable amounted to RMB60.1 million which were pledged by the Group's bank deposits of RMB31.4 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 issued new bank acceptance notes of RMB7.0 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 30 June 2017. 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 unaudited condensed consolidated financial information on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Significant accounting policies

The accounting policies applied are consistent with those of the consolidated financial information for the year ended 31 December 2016, as described in the Accountant's Report, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year beginning on 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Significant accounting policies *(Continued)*

(b) Impact of standards issued but not yet applied by the Group (Continued)

HKFRS 9, "Financial instruments" (Continued)

As at 30 June 2017, all of the Group's financial assets and financial liabilities were carried at amortisation 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 30 June 2017, the Group did not have any hedging instruments, and management 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Significant accounting policies *(Continued)*

(b) Impact of standards issued but not yet applied by the Group (Continued)

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 of the consolidated financial information in the Accountant's Report. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Significant accounting policies *(Continued)*

(b) Impact of standards issued but not yet applied by the Group (Continued)

HKFRS 16, "Leases" (Continued)

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.

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2016 in the Accountant's Report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report as at 31 December 2016.

There have been no changes in the risk management policies since year end.

5.2 Fair value estimation

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

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

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

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

As at 30 June 2017 and 31 December 2016, the Group had no level 1, level 2 or level 3 financial instruments.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Revenue and segment information

The Board assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are related to manufacturing and sales of decorative printing materials products. Therefore, management considers there 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 the PRC.

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

	Three months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
PRC	**44,280**	21,714	**67,605**	32,853
Pakistan	**20,708**	22,377	**44,145**	47,205
India	**6,020**	4,037	**9,323**	8,598
Kenya	**1,008**	3,573	**3,090**	5,669
Colombia	**925**	536	**2,702**	721
Thailand	**1,268**	2,341	**2,434**	3,556
Other countries	**9,337**	8,946	**16,074**	16,800
	83,546	63,524	**145,373**	115,402

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Other income and other gains – net

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Income of sales of scrap and surplus materials	**456**	364	**773**	702
Rental income	**24**	149	**48**	407
Government grants income including amortisation of deferred government grants	**58**	26	**83**	94
Foreign exchange difference, net	**(74)**	833	**(237)**	806
Others	**8**	27	**327**	16
	472	1,399	**994**	2,025

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Operating profit

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

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Operating items				
Listing expense	**1,937**	556	**4,562**	556
Inventory write-back	**–**	(187)	**–**	(187)
Impairment losses of trade and other receivables	**76**	793	**209**	658
Depreciation of property, plant and equipment	**2,005**	2,465	**4,388**	4,965
Amortisation of intangible assets	**50**	42	**103**	90
Amortisation of land use rights	**300**	264	**529**	609

9 Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Current income tax	**1,036**	1,503	**1,907**	2,056
Deferred income tax	**(77)**	(253)	**84**	(211)
	959	1,250	**1,991**	1,845

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Income tax expense *(Continued)*

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

The corporate income tax rate applicable to the group entities located in PRC other than Zhejiang Shenglong Decoration Material Co., Ltd ("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 Period.

(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 Limited was incorporated under the International Business Companies Act of the British Virgin Islands and, is exempted from British Virgin Islands income tax. Splendecor Hong Kong Limited is subject to Hong Kong profits tax at the rate of 16.5%.

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from these jurisdictions during the Period (2016: Nil).

(c) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. During the Period, the directors reassessed the dividend policy of its major subsidiaries established in the PRC, Shenglong Decoration and Hangzhou Splendor Decoration Material Co., Ltd. ("Splendor Decoration"), based on the Group's current business plan and financial position, and no retained earnings as of 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 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 in issue during the Period. In determining the weighted average number of ordinary shares in issue during the Period, 375,000,000 shares of the Company, which were resulted from the issue and allotment of 10,000,000 shares (before share subdivision as described in Note 14(a)) by the Company in connection with the corporate reorganisation of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange and had taken into account the effect of all the authorised shares of the Company with a par value of HK$0.10 each being subdivided into 10 shares with a par value of HK$0.01 each as described in Note 14(a) and the capitalisation issue as described in Note 21, had been treated as if those shares were in issue since 1 January 2016.

	Three months ended 30 June		Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Profit attributable to owners of the Company (RMB'000)	**3,932**	6,814	**6,681**	10,916
Weighted average number of ordinary shares in issue ('000)	**375,000**	375,000	**375,000**	375,000
Basic and diluted earnings per share (RMB cents)	**1.05**	1.82	**1.78**	2.91

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

11 Property, plant and equipment

During the six months ended 30 June 2017, additions to the Group's property, plant and equipment were approximately RMB17,102,000 (for the six months ended 30 June 2016: RMB12,147,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Inventories

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Raw materials	**14,373**	16,016
Work in progress	**2,763**	2,743
Finished goods	**27,143**	18,795
	44,279	37,554

13 Trade and other receivables

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	**65,072**	56,193
Less: allowance for impairment of trade receivables	**(2,811)**	(2,610)
Trade receivables, net	**62,261**	53,583
Amount due from related parties (Note 20b(i))	**–**	800
Notes receivables	**1,232**	1,416
Advances to employees	**5,222**	4,129
Prepayments of listing expenses	**4,977**	3,207
Deposits paid to suppliers	**4,442**	1,190
Deposits for utilities and product quality assurance	**1,355**	1,324
Interests receivables	**144**	145
Prepayments of raw materials	**107**	274
Other receivables	**1,941**	1,473
	81,681	67,541

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Trade and other receivables *(Continued)*

The credit terms of trade receivables granted by the Group are normally within 2 months. The ageing analysis of trade receivables based on the invoice date is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Less than 3 months	**51,144**	45,778
More than 3 months but not exceeding 1 year	**9,898**	6,781
More than 1 year	**4,030**	3,634
	65,072	56,193

14 Share capital

	Number of ordinary shares of HK$0.01 each '000	**Nominal Value of ordinary shares HK$'000**
Authorised		
At 1 January 2016 and 31 December 2016	1,000,000	100,000
Subdivision of shares (Note a)	9,000,000	–
At 30 June 2017	10,000,000	100,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Share capital *(Continued)*

	Number of ordinary shares of HK$0.01 each '000	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000
Issued			
At 1 January 2016 and 31 December 2016	10,000	1,000	790
Subdivision of shares (Note a)	90,000	–	–
At 30 June 2017	100,000	1,000	790

(a) Pursuant to the written resolution of the shareholders of the Company passed on 22 June 2017, the Company subdivided all the issued and unissued shares of HK$0.10 par value each into 10 shares of HK$0.01 par value each.

15 Long-term bank borrowings

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Secured bank borrowings	**52,000**	72,000
Less: current portion of long-term borrowings	**(22,000)**	(20,000)
	30,000	52,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Long-term bank borrowings *(Continued)*

(a) As at the end of the reporting period, the Group's long-term borrowings were repayable as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 1 year	**22,000**	20,000
Between 1 and 2 years	**30,000**	52,000
	52,000	72,000
Within 1 year included in current liabilities	**(22,000)**	(20,000)
	30,000	52,000

16 Trade and other payables

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade payables	**55,799**	44,501
Notes payables	**60,128**	68,925
Amounts due to related parties (Note 20b(ii))	**–**	246
Payables for purchase of property, plant and equipment	**5,705**	7,018
Accrued operating expenses (a)	**9,586**	5,474
Advances from customers	**3,015**	2,388
Employee benefit payable	**3,412**	5,235
Other taxes payable	**2,890**	1,303
Others	**854**	1,027
	141,389	136,117

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Trade and other payables *(Continued)*

(a) The amount mainly represented accruals for transportation expenses and commission expenses.

(b) As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Less than 3 months	**83,348**	80,411
More than 3 months but not exceeding 1 year	**32,474**	32,607
More than 1 year	**105**	408
	115,927	113,426

(c) As at 30 June 2017 and 31 December 2016, all trade and other payables of the Group were non-interest bearing.

17 Short-term bank borrowings

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Secured bank borrowings	**45,800**	27,700
Unsecured bank borrowings	**10,800**	5,500
	56,600	33,200

18 Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Commitments

Capital commitments

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Property, plant and equipment	**17,752**	3,944

20 Related party transactions

The following is a summary of the significant transactions carried out between the Group and its related parties during the Period:

Name of the related party	**Relationship with the Group**
Mr. Sheng Yingming ("Mr. Sheng")	Controlling shareholder and director
Ms. Lu Miaoling	Key management personnel
Hangzhou Longsheng Investment Company Limited ("Longsheng Investment")	An entity controlled by the Controlling Shareholder

(a) Transaction with related parties

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

(i) Financial guarantees and securities provided to the Group

The short-term bank borrowings of RMB15,200,000 as at 30 June 2017 (31 December 2016: RMB14,200,000) were secured by certain buildings of Longsheng Investment.

The short-term bank borrowings of RMB56,600,000 as at 30 June 2017 (31 December 2016: RMB28,700,000) were guaranteed by Mr. Sheng.

(ii) Key management compensation

During the Period, the emoluments of key management personnel were RMB1,147,000 (2016: RMB880,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related party transactions *(Continued)*

(b) Period-end balance with related parties

(i) Amounts due from related parties

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Key management personnel:		
Ms. Lu Miaoling	–	800
	–	800

(ii) Amounts due to related parties

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Advances from related parties:		
Mr. Sheng	–	246
Longsheng Investment	–	–
	–	246

The above balances were repayable on demand and no interest bearing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Events occurring after the balance sheet date

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following significant events took place after 30 June 2017:

Pursuant to the authority given by the shareholders' resolution dated 22 June 2017, a sum of HKD2,750,000 standing to the credit of the share premium account of the Company was approved to be capitalised and applied for the allotment and issue of 275,000,000 shares, credited as fully paid at par on 17 July 2017.

The shares of the Company were listed on the GEM of the Stock Exchange on 17 July 2017.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 22 June 2017 (the "Share Option Scheme"). The principal terms of the Share Option Scheme was summarised in paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus.

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

During the period from 22 June 2017 to the date of this report, no option was granted by the Company.

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

As the shares of the Company have been listed on the Stock Exchange on 17 July 2017, from the listing date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2017, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

OTHER INFORMATION

As at the date of this report, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the registered maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding (Note 3)
Mr. Sheng (Note 1)	Interest in controlled corporation	239,950,000 shares	47.99%
Mr. Yu Zemin (Note 2)	Interest in controlled corporation	11,250,000 shares	2.25%

Notes:

(1) These 239,950,000 shares are held by Bright Commerce which is wholly owned by Mr. Sheng and hence, Mr. Sheng is deemed or taken to be interested in all the shares held by Bright Commerce for the purpose of SFO.

(2) These 11,250,000 shares are held by Well Power Ventures Limited ("Well Power") which is wholly owned by Mr. Yu Zemin and hence, Mr. Yu Zemin is deemed or taken to be interested in all the shares held by Well Power for the purposes of SFO.

(3) The percentage is calculated on the basis of 500,000,000 shares in issue at the date of this report.

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

OTHER INFORMATION

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

As at 30 June 2017, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO were not applicable.

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

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares held (Note 1)	Percentage of shareholding
Bright Commerce	Beneficial interest	239,950,000 shares (L)	47.99%
Ms. Chen Deqin (Note 2)	Interest of spouse	239,950,000 shares (L)	47.99%
Mr. Ren Yunan	Beneficial interest	101,300,000 shares (L)	20.26%
Ms. Lin Ying (Note 3)	Interest of spouse	101,300,000 shares (L)	20.26%

Notes:

(1) All interests stated are long positions.

(2) Ms. Chen Deqin is the spouse of Mr. Sheng. She is deemed, or taken to be, interested in all the shares in which Mr. Sheng is interested for the purposes of SFO.

(3) Ms. Lin Ying is the spouse of Mr. Ren Yunan. She is deemed, or taken to be, interested in all the shares in which Mr. Ren Yunan is interested for the purposes of SFO.

OTHER INFORMATION

Save as disclosed above, as at the date of this report, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person or corporation (other than the Director and chief executive of the Company) who had any interests or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE" and "SHARE OPTION SCHEME" in this report, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

COMPETING INTERESTS

As at the date of this report, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for the compliance adviser's agreement entered into between the Company and Messis Capital Limited (the "Compliance Adviser") dated 29 June 2017, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company confirms that, other than the deviation from code provision A.2.1, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the six months ended 30 June 2017.

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules and paragraph C.3 of the CG code. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The audit committee consists of three independent non-executive Directors, namely Mr. Lee Ho Yiu, Thomas (Chairman), Mr. Ma Lingfei and Ms. Huang Yueyuan. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, internal control systems of the Group and to provide advice and comments thereon to the Board.

OTHER INFORMATION

The unaudited interim consolidated results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee and the audit committee is of the view that the interim report for the six months ended 30 June 2017 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

Hong Kong, 10 August 2017

As at the date of this report, the directors of the Company are:

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

Independent Non-executive Directors
Mr. Lee Ho Yiu, Thomas
Mr. Ma Lingfei
Ms. Huang Yueyuan