SHENGLONG
盛龙

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)

2017 THIRD QUARTERLY 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

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 (collectively the "Group") are principally engaged in the manufacturing and sales of decorative printing materials products which mainly comprise of (i) decorative paper; (ii) melamine impregnated paper; (iii) finish foil paper; (iv) polyvinyl chloride ("PVC") furniture film; and (v) PVC flooring film. For the nine months ended 30 September 2017, the Group served over 500 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 nine months ended 30 September 2017 (the "Period") was approximately RMB232.4 million, representing an increase of approximately 29.3% over the corresponding period of last year. The increase in the Group's revenue was mainly because of continued strong demand from our customers in the People's Republic of China (the "PRC") primarily driven by growth of need of melamine impregnate paper, PVC flooring film and PVC furniture film.

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 12.4% and 6.8%, respectively, 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 23.2% (2016: 28.0%).

Other income and gains – net

The Group's other income and other gains decreased by approximately RMB2.0 million or 56.2%, to approximately RMB1.6 million during the Period from approximately RMB3.6 million for the nine months ended 30 September 2016. The decrease was mainly due to (i) the gain from disposal of investment properties of approximately RMB0.9 million, being recognised for the period ended 30 September 2016; (ii) the decrease in rental income along with the disposal of investment properties, which was designated as rental purpose; and (iii) the decrease in foreign exchange difference as a result of the appreciation of RMB against US Dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

The Group's selling expenses increased by RMB3.7 million or 43.0%, to RMB12.3 million for the Period from RMB8.6 million for the nine months ended 30 September 2016. The increase was primarily due to (i) the increase in the transportation expenses of RMB0.6 million with the increase in transactions with PRC customers; (ii) the payment of licensing fee to use its registered trademarks to one of our customers; and (iii) the increase in travelling expenses of RMB0.8 million in order to strengthen the connection with customers.

Administrative expenses

The administrative expenses for the Period increased from approximately RMB27.7 million for the nine months ended 30 September 2016 to approximately RMB29.9 million for the Period, representing an increase of approximately 7.9%. The increase was mainly because of the increase in the employee benefit expenses of RMB3.0 million.

Finance expenses – net

The Group's finance expenses-net decreased by RMB1.4 million or 42.1%, to RMB1.9 million for the Period from RMB3.3 million for the nine months ended 30 September 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.

Profit attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately RMB9.3 million compared to approximately RMB12.7 million for the nine months ended 30 September 2016, representing a decrease of approximately 26.6%. By excluding the listing expenses, the Group's net profit for the nine months ended 30 September 2017 would be approximately RMB15.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations with internally generated resources, bank borrowings and the proceeds received from the Company's listing in July 2017. As at 30 September 2017, the Group had current assets of approximately RMB207.9 million (31 December 2016: RMB154.3 million) which comprised cash and cash equivalents of approximately RMB27.3 million (31 December 2016: RMB11.3 million). As at 30 September 2017, the Group had current liabilities amounted to approximately RMB214.5 million (31 December 2016: RMB189.3 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.97 times as at 30 September 2017 (31 December 2016: 0.81 times).

As at 30 September 2017, the Group had total bank borrowings of approximately RMB95.9 million (31 December 2016: RMB105.2 million). The gearing ratio of the Group, calculated based on the interest-bearing liabilities divided by the total equity, was approximately 0.59 as at 30 September 2017 (31 December 2016: 1.17).

FOREIGN EXCHANGE EXPOSURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES

As at 30 September 2017, the Group had 320 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 September 2017, the Group's bank borrowings are secured by its assets as below:

Land use rights with a total net book value of approximately RMB43.9 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 RMB14.4 million (31 December 2016: RMB15.3 million) were pledged as collateral for the Group's borrowings.

No short-term bank borrowings as at 30 September 2017 (31 December 2016: RMB14.2 million) were secured by charge over building or properties of Hangzhou Longsheng Investment Company Limited, an entity controlled by the controlling shareholder of the Company.

No short-term bank borrowings as at 30 September 2017 (31 December 2016: RMB28.7 million) were guaranteed by Mr. Sheng Yingming ("Mr. Sheng"), the executive director of the Company.

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 17 July 2017 (the "Listing Date") and the net proceeds are estimated to be approximately RMB44.6 million. The Company intends to apply (i) approximately 71.8% or RMB32.0 million for enhancing production capacity; (ii) approximately 19.2% or RMB8.6 million for repaying the bank loans; and (iii) the balance of approximately 9.0% or RMB4.0 million for using as general working capital of the Group.

As at 30 September 2017, we have utilised (i) approximately RMB12.3 million for enhancing production capacity; (ii) approximately RMB8.6 million for repaying the bank loans; and (iii) approximately RMB1.0 million as general working capital of the Group.

PROSPECTS

The business would continue to face challenges stemming from the changes in operating environment. During the Period, there are stringent government policies and enforcement to address overcapacity and to go green, which inevitably adjust the demand-supply environment. In the face of the rising cost of raw materials, the Group would continue to manage costs and risks. The Group is committed to enhancing our research and development capabilities to optimise our product mix and to improve our production efficiency. The Group would continue to improve our manufacturing technology as well as improve our operating capability and efficiency.

With the improving world economy and favourable government policies to support enterprises to explore overseas market, the outlook for the decorative printing materials business remain promising. "The Belt and Road Initiative" that issued in 2015 create huge market potentials along the "Belt and Road" countries, including the investment in infrastructures and resources, which promote the development of tourism real estate and commercial complex. This would in turn increase the demand on the furniture and flooring and escalates the need for decorative paper.

Taking advantages of our well-recognised reputation in the market, the Directors are optimistic to capture the market share of the decorative printing materials industry. 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 nine months ended 30 September 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and nine months ended 30 September 2017

		Three months ended 30 September		**Nine months ended 30 September**	
	Notes	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Revenue	*5*	**87,063**	64,393	**232,436**	179,795
Cost of sales		**(68,594)**	(44,887)	**(178,490)**	(127,966)
Gross profit		**18,469**	19,506	**53,946**	51,829
Selling expenses		**(4,609)**	(3,319)	**(12,297)**	(8,600)
Administrative expenses		**(11,064)**	(13,701)	**(29,900)**	(27,706)
Other income and other gains – net	*6*	**576**	1,559	**1,570**	3,584
Operating profit	*7*	**3,372**	4,045	**13,319**	19,107
Finance income		**95**	112	**386**	332
Finance expenses		**(759)**	(1,161)	**(2,325)**	(3,682)
Finance expenses – net		**(664)**	(1,049)	**(1,939)**	(3,350)
Profit before income tax		**2,708**	2,996	**11,380**	15,757
Income tax expense	*8*	**(82)**	(1,239)	**(2,073)**	(3,084)
Profit for the period		**2,626**	1,757	**9,307**	12,673
Profit attributable to:					
– Owners of the Company		**2,626**	1,757	**9,307**	12,673
Earnings per share for profit attributable to owners of the Company for the period		**RMB cents**	RMB cents	**RMB cents**	RMB cents
– Basic and diluted	*9*	**0.55**	0.47	**2.27**	3.38

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Profit for the period	**2,626**	1,757	**9,307**	12,673
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences	**(1,140)**	(1,043)	**(924)**	(1,207)
Other comprehensive income for the period, net of tax	**(1,140)**	(1,043)	**(924)**	(1,207)
Total comprehensive income for the period	**1,486**	714	**8,383**	11,466
Total comprehensive income for the period attributable to:				
– Owners of the Company	**1,486**	714	**8,383**	11,466

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to equity owners of the Company					
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)	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	–	–	12,673	12,673	–	12,673
Other comprehensive income						
Currency translation differences	–	(1,207)	–	(1,207)	–	(1,207)
Total comprehensive income	–	(1,207)	12,673	11,466	–	11,466
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 September 2016	790	37,072	43,366	81,228	–	81,228

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to equity owners of the Company					
	Share capital RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Total RMB'000 (unaudited)	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	–	–	9,307	9,307	–	9,307
Other comprehensive income						
Currency translation differences	–	(924)	–	(924)	–	(924)
Total comprehensive income	–	(924)	9,307	8,383	–	8,383
Transactions with owners in their capacity as owners						
Capitalisation Issue	2,381	(2, 381)	–	–	–	–
Issued of shares pursuant to share offer	1,082	72,492	–	73,574	–	73,574
Share issue expenses	–	(8,928)	–	(8,928)	–	(8,928)
Total transactions with owners in their capacity as owners	3,463	61,183	–	64,646	–	64,646
Balance at 30 September 2017	4,253	98,160	60,731	163,144	–	163,144

The notes on pages 11 to 20 are an integral part of these consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 25 July 2013 as an exempted company with limited liability under the Cayman Companies Law of the Cayman Islands. The address of its registered office is PO Box 1350, 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 statements are presented in Renminbi (RMB), unless otherwise stated.

2 Basis of presentation

This condensed consolidated financial information for the nine months ended 30 September 2017 has been prepared to comply with the disclosure requirements of the GEM Listing Rules. The condensed consolidated 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 FINANCIAL STATEMENTS

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 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 FINANCIAL STATEMENTS

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 September 2017, 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 30 September 2017, 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 the hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses 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. Early adoption is permitted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 Significant accounting policies *(Continued)*

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

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

In preparing this condensed consolidated 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 FINANCIAL STATEMENTS

5 Revenue and segment information

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
PRC	**47,939**	20,057	**115,544**	52,911
Pakistan	**19,805**	21,152	**63,950**	68,358
India	**4,506**	5,038	**13,829**	13,637
Kenya	**3,561**	2,593	**6,651**	8,262
Thailand	**1,683**	2,654	**4,117**	6,211
Other countries	**9,569**	12,899	**28,345**	30,416
	87,063	64,393	**232,436**	179,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains – net

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Income of sales of scrap and surplus materials	**679**	445	**1,452**	1,147
Rental income	**24**	–	**72**	407
Government grants income including amortisation of deferred government grants	**230**	25	**313**	119
Foreign exchange difference, net	**(348)**	350	**(585)**	1,156
Loss on disposal of property, plant and equipment	**–**	(101)	**–**	(101)
Gain on disposal of investment property and land use rights	**–**	855	**–**	855
Others	**(9)**	(15)	**318**	1
	576	1,559	**1,570**	3,584

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 Operating profit

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Operating items				
Auditors' remuneration				
– audit service	**514**	–	**514**	36
Listing expenses	**1,298**	6,418	**5,860**	6,974
Inventory write-back	**–**	–	**–**	(187)
Impairment losses of trade and other receivables	**–**	263	**209**	921
Depreciation of property, plant and equipment	**2,083**	2,357	**6,471**	7,322
Amortisation of intangible assets	**49**	55	**152**	145
Amortisation of land use rights	**298**	296	**827**	905

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**2017 RMB'000 (unaudited)**	2016 RMB'000 (unaudited)
Current income tax	**1,044**	1,275	**2,951**	3,331
Deferred income tax	**(962)**	(36)	**(878)**	(247)
	82	1,239	**2,073**	3,084

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 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.

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period. The weighted average number of ordinary shares used to calculate the basic earnings per share for the three and nine months ended 30 September 2017 included 100,000,000 issued ordinary shares, after taking into account the share subdivision as described in Appendix V to the Prospectus and 275,000,000 ordinary shares issued by the capitalisation issue as described in Appendix V to the Prospectus, as if all these shares were in issue since 1 January 2016, and the weighted average number of ordinary shares of the Company issued upon the completion of the listing of the Company on the Listing Date.

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Profit attributable to owners of the Company (RMB'000)	**2,626**	1,757	**9,307**	12,673
Weighted average number of ordinary shares in issue	**478,260,870**	375,000,000	**409,798,535**	375,000,000
Basic and diluted earnings per share (RMB cents)	**0.55**	0.47	**2.27**	3.38

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

10 Dividends

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

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted 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.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

OTHER INFORMATION

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

As at 30 September 2017, 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 as at 30 September 2017.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2017, none of the Directors or the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

So far as was known to the Directors and the chief executives of the Company, as at September 2017, 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%

OTHER INFORMATION

Notes:

(1) All interests stated are long positions.

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

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

Save as disclosed above, as at 30 September 2017, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person or corporation (other than the Director and chief executive of the Company) who had any interests or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

COMPETING INTERESTS

As at 30 September 2017, 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 30 September 2017, 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.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "Required Standard of Dealing") 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 announcement. No incident of non-compliance was noted by the Company during such period.

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 nine months ended 30 September 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.

OTHER INFORMATION

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.

The unaudited condensed consolidated results of the Group for the Period have been reviewed by the audit committee and the audit committee is of the view that such report is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

Hong Kong, 7 November 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 *(Compliance Officer)*

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