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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

*This announcement, for which the directors (the "**Directors**") of Shenglong Splendecor International Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 (the "**Year**") together with the comparative audited figures for the year ended 31 December 2016. The consolidated financial information of the Group for the Year have been audited by PricewaterhouseCoopers, the auditor of the Company in accordance with Hong Kong Standards on Auditing. In addition, the results, have also been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**320,069**	248,773
Cost of sales	5	**(247,688)**	(176,977)
Gross profit		**72,381**	71,796
Selling expenses	5	**(19,853)**	(14,313)
Administrative expenses	5	**(45,012)**	(34,814)
Other income and other gains – net	4	**3,061**	6,411
Operating profit		**10,577**	29,080
Finance income		**534**	451
Finance expenses		**(2,907)**	(4,641)
Finance expenses – net		**(2,373)**	(4,190)
Profit before income tax		**8,204**	24,890
Income tax expense	6	**(1,200)**	(4,159)
Profit for the year		**7,004**	20,731
Profit attributable to			
– Owners of the Company		**7,004**	20,731
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)			
– Basic and diluted	7	**1.62**	5.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**7,004**	20,731
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,985)**	(378)
Other comprehensive income for the year, net of tax	**(1,985)**	(378)
Total comprehensive income for the year	**5,019**	20,353
Total comprehensive income for the year attributable to:		
– Owners of the Company	**5,019**	20,353

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**43,316**	43,822
Prepayments for land use rights		**4,900**	4,900
Property, plant and equipment		**160,081**	125,886
Intangible assets		**991**	1,270
Deferred income tax assets		**4,392**	3,091
		213,680	178,969
Current assets			
Inventories	9	**43,723**	37,554
Trade and other receivables	10	**97,482**	67,541
Restricted bank deposits		**36,550**	37,820
Cash and cash equivalents		**14,688**	11,344
		192,443	154,259
Total assets		**406,123**	333,228
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	**4,253**	790
Other reserves		**98,606**	37,901
Retained earnings		**56,920**	51,424
Total equity		**159,779**	90,115

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	12	**–**	52,000
Deferred revenue		**3,516**	1,796
		3,516	53,796
Current liabilities			
Trade and other payables	13	**140,728**	136,117
Short-term bank borrowings	14	**50,100**	33,200
Current portion of long-term bank borrowings	12	**52,000**	20,000
		242,828	189,317
Total liabilities		**246,344**	243,113
Total equity and liabilities		**406,123**	333,228
Net current liabilities		**(50,385)**	(35,058)
Total assets less current liabilities		**163,295**	143,911

NOTES

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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of decorative printing materials products in the People's Republic of China ("**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 audited consolidated financial information are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.1.1 Going concern

During the year ended 31 December 2017, the Group had net cash outflows from operations of RMB17.2 million. As at the same date, the Group's current liabilities exceeded its current assets by RMB50.4 million. As at 31 December 2017, the Group had current bank borrowings of RMB102.1 million to be repayable in the coming twelve months; and had bank acceptance notes payable amounting to RMB54.3 million which were pledged by the Group's bank deposits of RMB36.6 million. In addition, the Group had capital commitments amounting to RMB12.0 million in relation to the acquisition of plant and equipment as at 31 December 2017. The directors of the Company have reviewed the Group's cash flow forecast covering a period of not less than twelve months from 31 December 2017, and have given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

(a) 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 December 2019. 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 announcement, the Group has renewed short-term borrowings of approximately RMB19.1 million for another twelve months, and issued new bank acceptance notes of RMB10.0 million.

(b) The directors also expect that sufficient sales orders will be secured in the coming year and the Group will continue its effort to strengthen its working capital position such that net operating cash inflows will be generated.

Based on the above, the directors are of the opinion that, taking into account the Group's anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance, continuous availability of bank facilities; and the successful renewal of bank facilities upon expiry, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2017. Accordingly, the directors of the Company are of the opinion that the Group will continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

2.1.2 Change in accounting policy and disclosure

(a) New and amended standards adopted by the Group

There are no new standards or amendments to standards that are effective for the first time for the year beginning on January 2017 that have a material impact on the Group.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 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.

Impact

The Group has reviewed its financial assets and liabilities, as at 31 December 2017, all of the Group's financial assets and financial liabilities were carried at amortised cost, therefore, management does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

As at 31 December 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 its 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 fair value through other comprehensive income ("**FVOCI**"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. As the Group's financial assets are mainly trade receivables, management does not expect the adoption of ECL impairment model will be significant to the Group.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature.

The new standards is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements and expected that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

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.

Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. 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.

Analysis of the customer that contributed more than 10% of the Group's total revenue during the year ended 31 December 2016 and 2017 are set out below:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Customer A	**N/A***	25,285

* *Less than 10% of the Group's revenue*

The Group's five largest customers accounted for approximately 19.1% (2016: 26.0%) of the Group's total revenue for the year ended 31 December 2017.

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
PRC	**166,938**	86,293
Pakistan	**84,756**	89,331
India	**17,512**	18,045
Kenya	**9,146**	9,168
Thailand	**6,410**	7,776
Other countries	**35,307**	38,160
	320,069	248,773

4. OTHER INCOME AND OTHER GAINS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Government grants income including amortisation of deferred government grants (i)	**2,683**	2,482
Income of sales of scrap and surplus materials	**1,713**	1,597
Rental income	**96**	407
Loss on disposal of intangible assets	**(8)**	–
Foreign exchange (loss)/gain, net	**(1,767)**	2,864
Loss on disposal of property, plant and equipment	**(36)**	(1,796)
Gain on disposal of investment property and land use rights	**–**	855
Others	**380**	2
	3,061	6,411

(i) The Group recognised directly as income a government grant of RMB2,327,000 which is receivable from local government for the listing of shares of the Company on GEM of the Stock Exchange of Hong Kong Limited in the year ended 31 December 2017 (2016: a government grant of RMB2,382,000 which was received from local government for the compensation of the losses incurred by the Group from disposal of certain equipment for environment protection purpose was recognised directly as income).

5. EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Raw materials and consumables used	**210,980**	147,987
Changes in inventories of finished goods and work in progress	**(4,587)**	529
Employee benefit expenses	**35,431**	23,606
Depreciation and amortisation	**11,343**	11,390
Utilities	**10,239**	6,030
Transportation expenses	**5,805**	4,755
Travelling expenses	**4,251**	2,879
Commission expenses	**2,847**	2,737
Entertainment expenses	**2,285**	1,867
Other taxes and levies	**2,757**	2,982
Marketing and exhibition expenses	**1,018**	1,310
Licensing fee	**4,678**	439
Listing expenses	**9,245**	7,039
Auditors' remuneration-audit service	**1,058**	36
Legal and professional expenses	**646**	–
Inventory write-back	**(53)**	(70)
Impairment charges for receivables	**883**	1,012
Research and development costs		
– Employee benefit expenses	**4,095**	3,441
– Depreciation and amortisation	**207**	217
– Raw materials and consumables used and others	**6,319**	5,841
Other expenses	**3,106**	2,077
Total cost of sales, selling expenses and administrative expenses	**312,553**	226,104

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**2,501**	4,432
Deferred income tax	**(1,301)**	(273)
	1,200	4,159

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 Year.

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 Year (2016: Nil).

7. 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 Year. In determining the weighted average number of shares in issue, a total of 375,000,000 shares which have taken into account the Share Subdivision (Note 11(a)) and the Capitalisation Issue (Note 11(c)) were deemed to have been in issue since 1 January 2016.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)*	**7,004**	20,731
Weighted average number of ordinary shares in issue *('000)*	**432,534**	375,000
Basic and diluted earnings per share *(RMB cents)*	**1.62**	5.53

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

8. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2017 (2016: Nil).

9. INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Raw materials	**17,598**	16,016
Work in progress	**3,726**	2,743
Finished goods	**22,399**	18,795
	43,723	37,554

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**87,290**	56,193
Less: allowance for impairment of trade receivables	**(2,961)**	(2,610)
Trade receivables, net	**84,329**	53,583
Amount due from related parties	**–**	800
Notes receivables	**2,247**	1,416
Advances to employees	**3,803**	4,129
Prepayments of listing expenses	**–**	3,207
Deposits paid to suppliers	**967**	1,190
Deposits for utilities and product quality assurance	**1,357**	1,324
Interests receivables	**178**	145
Prepayments of raw materials	**373**	274
Government grants receivables	**2,327**	–
Other receivables	**1,901**	1,473
	97,482	67,541

The credit terms of trade receivables granted by the Group are normally within 3 months. The ageing analysis of trade receivables based on the invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**65,343**	45,778
More than 3 months but not exceeding 1 year	**17,553**	6,781
More than 1 year	**4,394**	3,634
	87,290	56,193

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	**Nominal value of ordinary shares**	**Number of ordinary shares of HK$0.01 each**	**Nominal Value of ordinary shares**
	'000	*HKD'000*	*'000*	*HKD'000*
Authorised				
At 1 January 2016, 31 December 2017 and 1 January 2017	1,000,000	100,000	–	–
Shares Subdivision *(a)*	(1,000,000)	(100,000)	10,000,000	100,000
Ordinary shares at 31 December 2017	–	–	10,000,000	100,000

	Number of ordinary shares of HKD0.10 each	Nominal value of ordinary shares	Number of ordinary shares of HKD0.01 each	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
	'000	*HK$'000*	*'000*	*HKD'000*	*RMB'000*
Issued					
At 1 January 2016, 31 December 2016 and 1 January 2017	10,000	1,000	–	–	790
Shares Subdivision *(a)*	(10,000)	(1,000)	100,000	1,000	–
New Issue *(b)*	–	–	125,000	1,250	1,083
Capitalisation Issue *(c)*	–	–	275,000	2,750	2,380
At 31 December 2017	–	–	500,000	5,000	4,253

(a) Pursuant to a shareholders' resolution dated 22 June 2017, all the authorised shares of the Company with a par value of HK$0.1 each was subdivided into 10 shares with a par value of HK$0.01 each, so that the authorised shares became 10,000,000,000 shares and the issued shares as at 22 June 2017 became 100,000,000 shares ("**Shares Subdivision**").

(b) In connection with the listing of the shares of the Company on the GEM of the Stock Exchange on 17 July 2017, 125,000,000 shares of HKD0.01 per share were issued at HKD0.68 per share through a public offering ("**New Issue**") for HKD85,000,000 (equivalent to RMB73,575,000). After the New Issue, the issued and fully-paid share capital of the Company increased by HKD1,250,000 (RMB1,083,000). The difference between the New Issue proceeds and the increased issued and fully-paid share capital, amounting to RMB72,492,000, was credited to the share premium account.

(c) On 22 June 2017, pursuant to a shareholders' resolution, the directors were authorised to capitalise the amount of HKD2,750,000 (RMB2,380,000) as 275,000,000 shares issued to the then existing shareholders, at HKD0.01 each from the amount standing to the credit of the share premium account of the Company ("**Capitalisation Issue**"). These shares were issued in conjunction with the New Issue.

12. LONG-TERM BANK BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowings	**52,000**	72,000
Less: current portion of long-term borrowings	**(52,000)**	(20,000)
	–	52,000

As at 31 December 2017, the Group's long-term borrowings were repayable as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**52,000**	20,000
Between 1 and 2 years	**–**	52,000
Between 2 and 5 years	**–**	–
	52,000	72,000
Within 1 year included in current liabilities	**(52,000)**	(20,000)
	–	52,000

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**60,321**	44,501
Notes payables	**54,330**	68,925
Amounts due to related parties	**–**	246
Payables for purchase of property, plant and equipment	**8,747**	7,018
Accrued operating expenses (a)	**7,119**	5,474
Advances from customers	**3,049**	2,388
Employee benefit payable	**5,254**	5,235
Other taxes payable	**1,047**	1,303
Others	**861**	1,027
	140,728	136,117

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

As at 31 December 2017, the ageing analysis of the trade payables and notes payables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**68,541**	80,411
More than 3 months but not exceeding 1 year	**46,038**	32,607
More than 1 year	**72**	408
	114,651	113,426

14. SHORT-TERM BANK BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowings	**34,800**	27,700
Unsecured bank borrowings	**15,300**	5,500
	50,100	33,200

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

As GDP growth accelerated for the first time in seven years for the PRC in 2017, the National Bureau of Statistics of China recorded 6.9% in economic growth of the country which exceeded the previously announced goal of 6.5%. Meanwhile, the country's economic reform stresses more and more on driving domestic demand. In particular, the demand of decorative paper in China is supported by country's polices in favor of construction and decoration industry, as well as the growing urban population and housing which led to the increase in renovation projects.

On the supply-side, under the pressure of rising costs of raw materials, as well as from the impact of national environmental policy, average purchase cost of base paper in the decorative paper market has been rebounding from previous years. On the other hand, market price of polyvinyl chloride ("**PVC**") mould, the principal raw material for the PVC decorative film products, has been bouncing back in the past 2 years from the lows in 2015.

As to the competitive landscape, the market is shifting from a fragmented one to a more concentrated one since customers tend to prefer manufacturers with design capacity and stable production quality. The standard of decorative material solutions is increasing while customer's demand for outstanding designs and colors remain strong. Under such trends, businesses strive to establish leading market positions with emphasis on design, quality and diversification.

BUSINESS REVIEW

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) PVC furniture film; and (v) PVC flooring film. The Group served over 500 customers in both domestic and overseas markets for the Year. The overseas sales reached over 30 countries in Asia, North America, South America, Europe, Oceania and Africa.

FINANCIAL REVIEW

Revenue

Revenues increased by approximately 28.7% to approximately RMB320.1 million (2016: RMB248.8 million) for the Year on a year-on-year basis. The following table sets forth the revenues by products:

	For the year ended 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Decorative paper	**173,817**	**54.3**	181,237	72.9
Melamine impregnated paper	**94,424**	**29.5**	23,898	9.6
Finish foil paper	**19,354**	**6.1**	19,747	7.9
PVC furniture film	**8,588**	**2.7**	4,187	1.7
PVC flooring film	**23,151**	**7.2**	18,918	7.6
Others *(Note)*	**735**	**0.2**	786	0.3
	320,069	**100.0**	248,773	100.0

Note: Others mainly include laminated board and plate rollers.

Revenues from sales of melamine impregnated paper increased by approximately 295.1% to approximately RMB94.4 million for the Year on a year-on-year basis. The increase was driven by the establishment of cooperation with certain sizable PRC-based furniture manufacturers. PVC furniture film and PVC flooring film continued to be 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 Year. The sales from these products increased by approximately 105.1% and 22.4%, respectively, on a year-on-year basis.

Cost of Sales

Cost of revenues increased by approximately 40.0% to approximately RMB247.7 million (2016: RMB177.0 million) for the Year on a year-on-year basis. During the Year, there are stringent government policies and enforcement to address overcapacity and to go green, which led to the imbalance of the market's demand-supply environment. We experienced an increase in purchase costs of our raw materials which covered the raw papers, PVC mould and chemicals. As a result, the Group's gross profit margin during the Year dropped to approximately 22.6% (2016: 28.9%).

Selling expenses

The selling expenses increased by approximately 38.7% to approximately RMB19.9 million (2016: RMB14.3 million) for the Year on a year-on-year basis. The increase was primarily due to (i) the payment of licensing fee to one of its customers for using the customer's registered trademarks and (ii) greater transportation expenses were incurred along with the increase of sales during the Year.

Administrative expenses

The administrative expenses increased by approximately 29.3% to approximately RMB45.0 million (2016: RMB34.8 million) for the Year on a year-on-year basis. The increase was mainly driven by (i) the increase in one-off listing expenses of approximately RMB2.2 million to approximately RMB9.2 million (2016: RMB7.0 million) during the Year; (ii) the increase in staff costs and travelling expenses; and (iii) the increase in legal and professional expenses of approximately RMB0.6 million during the Year.

Other income and other gains – net

The other income and other gains – net decreased by approximately 52.3% to approximately RMB3.1 million (2016: RMB6.4 million) for the Year on a year-on-year basis. The decrease was mainly due to (i) the gain from disposal of investment property and land use rights of approximately RMB0.9 million, being j in the year ended 31 December 2016; (ii) the decrease in rental income along with the disposal of investment properties, which was designated as rental purposes; and (iii) the net foreign exchange loss as a result of the appreciation of RMB against US Dollars.

Finance expenses – net

The finance expenses – net decreased by approximately 43.4% to approximately RMB2.4 million (2016: RMB4.2 million) for the Year on a year-on-year basis. This was primarily due to the decrease in the average amount of indebtedness and the decrease in average interest rate during the Year.

Income tax expenses

The income tax expenses decreased from approximately RMB4.2 million for the year ended 31 December 2016 to approximately RMB1.2 million for the Year. Such decrease was in line with the decrease in profit before income tax during the Year.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the Year amounted to approximately RMB7.0 million (2016: RMB20.7 million), representing a decrease of approximately 66.2% on a year-on-year basis. By excluding the listing expenses, the Group's net profit for the Year would have been approximately RMB16.2 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB192.4 million (2016: RMB154.3 million) which comprised of cash and cash equivalents of approximately RMB14.7 million as at 31 December 2017 (2016: RMB11.3 million). The Group had current liabilities amounting to approximately RMB242.8 million as at 31 December 2017 (2016: RMB189.3 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.79 times as at 31 December 2017 (2016: 0.81 times).

As at 31 December 2017, total bank borrowings of the Group amounted to approximately RMB102.1 million (2016: RMB105.2 million), representing a decrease of approximately 3.0% as compared to that of 31 December 2016.

As at 31 December 2017, the gearing ratio of the Group, calculated as based on the interest-bearing liabilities divided by the total equity, was approximately 0.64 (2016: 1.17).

FINANCIAL RATIOS

The Group took stringent control over the stock level. During the Year, the inventory turnover days of the Group decreased to approximately 59.9 days (2016: 71.0 days). Due to the significant increase in sales of the Group, the Group's inventories increased by approximately 16.4% to approximately RMB43.7 million as at 31 December 2017 from approximately RMB37.6 million as at 31 December 2016.

Trade receivables turnover days of the Group during the Year increased to approximately 78.6 days (2016: 67.8 days), which was attributable to a longer credit period granted to some of the strategic customers to enhance relationship with them. Trade receivables as at 31 December 2017 increased by approximately RMB30.7 million to approximately RMB84.3 million (31 December 2016: RMB53.6 million).

Trade payables turnover days of the Group for the year decreased to approximately 77.2 days (2016: 84.6 days). The trade payables of the Group rose to approximately RMB60.3 million as at 31 December 2017 (31 December 2016: RMB44.5 million). The Group would continue to maintain solid relationships with its suppliers.

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.

As a result of appreciation of RMB, the Group recorded a net foreign exchange loss of approximately RMB1.8 million during the Year, compared to a net foreign exchange gain of approximately RMB2.9 million for the year ended 31 December 2016.

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

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had 324 employees (2016: 322 employees), including the executive Directors. The Group recorded staff costs (including Directors' remuneration) of approximately RMB39.5 million (2016: RMB27.0 million). 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 Year.

CHARGES OF ASSETS

As at 31 December 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 (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 RMB14.2 million (2016: RMB15.3 million) were pledged as collateral for the Group's borrowings.

CAPITAL COMMITMENT

As at 31 December 2017, the capital commitments 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 RMB12.0 million (2016: RMB3.9 million).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 and 2017.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 17 July 2017 and the net proceeds were 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.

Up to the date of this announcement, the Group had utilised (i) approximately RMB19.3 million for enhancing production capacity; (ii) approximately RMB8.6 million for repaying the bank loans; and (iii) approximately RMB1.5 million as general working capital of the Group.

The Directors will constantly evaluate the Group's business objectives and change or modify their plans against the changing market condition to ascertain the business growth of the Group.

EVENT AFTER THE REPORTING PERIOD

There is no material event affecting the Group that occured after the reporting period.

PROSPECTS AND FUTURE PLAN

In the near future, several factors including expected adjustments on the demand-supply environment according to the increasingly stringent policies by the PRC government aiming at addressing overcapacity and environment issues, will bring changes to the operating environment. The rising costs of raw materials poses pressure to the decorative paper industry. Apart from adopting cautious cost and risk management strategies, the Group is determined to take various steps to boost its business, including improving research and development capacity, optimising product mix and upgrading manufacturing technology in order to achieve higher production capacity and efficiency.

On the long run, the Group sees positive trends in the industry. As a result of an increasing number of countries posing restrictions on lumbering, there will be abundant room for the growth of the demand of decorative paper as a substitute material to wood in the home furnishing market. Leveraging on "The Belt and Road Initiative" issued by the PRC government which aims at bonding cooperation along "The Belt and Road" regions, a growing market of real estate and infrastructure in the related countries is expected to escalate the furnishing and flooring industry, which then benefits the decorative paper business.

Despite the current challenges arising from the increase of purchase price of raw materials, the Directors remain positive about the future of the decorative printing materials industry. Riding on our rich history and excellent reputation, the Group will spare no efforts in capturing business opportunities and creating optimistic returns to our shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interest and to enhance their confidence and support. For the Year, the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except the deviation from CG Code provisions A.2.1. The Board will review and continue to enhance the Company's corporate governance standards, as the Directors believe that sound internal controls and effective corporate governance practices are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Sheng Yingming 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings throughout the Year. The Company has not been notified of any incident of noncompliance during the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 22 June 2017 (the "**Share Option Scheme**").

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.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Island.

Equity-linked Agreements

During the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of shares of the Company.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the date of this announcement.

Directors' Interests in a Competing Business

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

Non-competition Undertaking by Controlling Shareholders

In order to avoid potential conflicts of interests with our Company, each of our controlling shareholders, namely Bright Commerce and Mr. Sheng Yingming, have entered into a Deed of Non-Competition in favour of our Company (for itself and for the benefits of other members of our Group) on 22 June 2017, pursuant to which they (individually or with their close associates) have undertaken, among others, not to compete with the business of the Group. Each of the controlling shareholders furthers that if he/it/she or his/its/her close associates is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it/she shall promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunities. Details of the Deed are set out in the section headed "Deed of Non-Competition" of the Prospectus.

Each of the controlling shareholders has made a written confirmation to the Board in respect of their compliance with the undertakings in the Deed since the entering of the Deed on 22 June 2017 to 31 December 2017. Upon receiving the confirmations from the Controlling Shareholders, the independent non-executive Directors had reviewed the same as part of the annual review process and confirmed that the controlling shareholders had complied with the Deed during the period.

Connected Transactions

During the Year, the Group has not conducted any "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) which is subject to reporting and annual review requirements under the GEM Listing Rules.

Compliance Adviser's Interests

As at 31 December 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.

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 announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") is proposed to be held on 31 May 2018 (Thursday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 31 May 2018. For determining the shareholders' entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 May 2018.

AUDIT COMMITTEE

The chairman of the Audit Committee is Mr. Lee Ho Yiu, Thomas, being an independent non-executive Director, and other members include Mr. Ma Lingfei and Ms. Huang Yueyuan, both being independent non-executive Directors.

The Audit Committee had reviewed the annual results of the Group for the Year and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 20 March 2018

As at the date of this announcement, 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

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.splendecor.com).