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## **HENG TEN NETWORKS GROUP LIMITED**

### **恒騰網絡集團有限公司**

*(formerly known as Mascotte Holdings Limited 馬斯葛集團有限公司\*)*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

**(Stock Code of Warrants: 1493)**

- (1) CHANGE OF COMPANY NAME;**
- (2) CHANGE OF STOCK SHORT NAME;**
- (3) CHANGE OF WARRANT SHORT NAME;**
- (4) CHANGE OF COMPANY WEBSITE;**
- (5) CHANGE OF COMPANY LOGO; AND**
- (6) INTERIM RESULTS FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2015**

#### **CHANGE OF COMPANY NAME, STOCK SHORT NAME, WARRANT SHORT NAME, COMPANY WEBSITE AND COMPANY LOGO**

The Board is pleased to announce that the change of the English name of the Company from “Mascotte Holdings Limited” to “HengTen Networks Group Limited” and the adoption of the new secondary name of the Company in Chinese of “恒騰網絡集團有限公司” has become effective on 26 October 2015.

The stock short names for trading in the Shares on the Stock Exchange will be changed from “MASCOTTE HOLD” to “HENG TEN NET” in English and from “馬斯葛集團” to “恒騰網絡” in Chinese with effect from 9:00 a.m. on 2 December 2015. The stock code of the Company remains unchanged as “136”.

The warrant short names for trading in the Existing Warrants on the Stock Exchange will be changed from “MASCOTTE W1702” to “HENG TEN W1702” in English and from “馬斯葛一七零二” to “恒騰網絡一七零二” in Chinese with effect from 9:00 a.m. on 2 December 2015. The warrant code of the Company remains unchanged as “1493”.

The website of the Company will be changed from “http://www.mascotte.com/html/index.php” and “http://www.irasia.com/listco/hk/mascotte/index.htm” to “http://www.htmimi.com” to reflect the Change of Company Name with effect from 27 November 2015.

The logo of the Company has been changed to  to reflect the Change of Company Name.

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

The Board announces the unaudited interim results of the Group for the six months ended 30 September 2015 together with the comparative figures in this announcement.

Reference is made to the announcements dated 18 September 2015, 15 October 2015, 26 October 2015 and 17 November 2015 (the “**Announcement**”) issued by HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (the “**Company**” or “**HengTen Networks**”) and the circular dated 21 September 2015 issued by the Company (the “**Circular**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

### **CHANGE OF COMPANY NAME**

As disclosed in the Announcement, the change of the English name of the Company from “Mascotte Holdings Limited” to “HengTen Networks Group Limited” and the adoption of the new secondary name of the Company in Chinese of “恒騰網絡集團有限公司” has become effective on 26 October 2015. The certificate of incorporation on change of name and the certificate of secondary name were issued by the Registrar of Companies in Bermuda on 26 October 2015. The Companies Registry in Hong Kong issued the certificate of registration of alteration of name of registered non-Hong Kong company on 13 November 2015.

### **CHANGE OF STOCK SHORT NAME**

The stock short names for trading in the Shares on the Stock Exchange will be changed from “MASCOTTE HOLD” to “HENG TEN NET” in English and from “馬斯葛集團” to “恒騰網絡” in Chinese with effect from 9:00 a.m. on 2 December 2015. The stock code of the Company remains unchanged as “136”.

### **CHANGE OF WARRANT SHORT NAME**

The warrant short names for trading in the Existing Warrants on the Stock Exchange will be changed from “MASCOTTE W1702” to “HENG TEN W1702” in English and from “馬斯葛一七零二” to “恒騰網絡一七零二” in Chinese with effect from 9:00 a.m. on 2 December 2015. The warrant code of the Company remains unchanged as “1493”.

## **EFFECT OF THE CHANGE OF COMPANY NAME**

The Change of Company Name will not affect any of the rights of the Shareholders and holders of the Existing Warrants. All existing share certificates and warrant certificates in issue bearing the Company's existing name shall, after the Change of Company Name becomes effective, continue to be evidence of the title of the securities and will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for free exchange of (i) existing share certificates for new share certificates or (ii) existing warrant certificates for new warrant certificates, in each case, bearing the new name of the Company. With effect from 30 November 2015, new share certificates will only be issued in the new name of the Company. Further announcement(s) will be made by the Company in relation to the commencement date of the issuance of new warrant certificates bearing the new name of the Company.

## **CHANGE OF COMPANY WEBSITE**

The website of the Company will be changed from “<http://www.mascotte.com/html/index.php>” and “<http://www.irasia.com/listco/hk/mascotte/index.htm>” to “<http://www.htmimi.com>” to reflect the Change of Company Name with effect from 27 November 2015.

## **CHANGE OF COMPANY LOGO**

The logo of the Company has been changed to  to reflect the Change of Company Name.

## INTERIM RESULTS

The Board announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2015 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	NOTES	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Turnover			
Sales of goods	3	73,201	53,025
Cost of sales		(54,456)	(34,640)
		<u>18,745</u>	<u>18,385</u>
Investment income		–	3
Rental income		557	561
Net change in fair value of financial assets at fair value through profit or loss		(24,490)	9,900
		<u>(5,188)</u>	<u>28,849</u>
Other income	4	2,771	441
Other gains and losses, net	4	32	169
Selling and distribution costs		(2,280)	(2,940)
Administrative expenses		(211,095)	(29,842)
Finance costs	5	(2,111)	(10,164)
		<u>(217,871)</u>	<u>(13,487)</u>
Loss before tax		(217,871)	(13,487)
Income tax credit	6	291	1,761
		<u>(217,580)</u>	<u>(11,726)</u>
Loss for the period from continuing operations	7	(217,580)	(11,726)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		–	(59,798)
		<u>(217,580)</u>	<u>(71,524)</u>
Loss for the period			
<b>Other comprehensive income (expense) for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		478	–
Net loss on fair value changes of available- for-sale investment		(90)	–
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries		–	89,460
		<u>388</u>	<u>89,460</u>
Total comprehensive (expense) income for the period		<u>(217,192)</u>	<u>17,936</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME (Cont'd)**

*For the six months ended 30 September 2015*

		<b>Six months ended 30 September</b>	
	<i>NOTE</i>	<b>2015</b>	2014
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(217,578)	(11,786)
– from discontinued operation		–	(59,798)
		<u>(217,578)</u>	<u>(71,584)</u>
(Loss) profit for the period attributable to non-controlling interests from continuing operations		<u>(2)</u>	<u>60</u>
		<u><b>(217,580)</b></u>	<u><b>(71,524)</b></u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(216,996)	17,876
Non-controlling interests		(196)	60
		<u><b>(217,192)</b></u>	<u><b>17,936</b></u>
			(Restated)
Loss per share	9		
<b>From continuing and discontinued operations</b>			
Basic and diluted loss per share (HK cents)		<u><b>1.23</b></u>	<u><b>0.70</b></u>
<b>From continuing operations</b>			
Basic and diluted loss per share (HK cents)		<u><b>1.23</b></u>	<u><b>0.12</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2015*

		30 September 2015 <i>HK\$'000</i> (unaudited)	31 March 2015 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	4,219	5,114
Investment properties	<i>10</i>	20,328	21,546
Prepaid lease payments		507	698
Available-for-sale investment		820	910
		25,874	28,268
<b>Current assets</b>			
Financial assets at fair value through profit or loss	<i>11</i>	48,550	24,510
Inventories		3,628	3,523
Trade receivables	<i>12</i>	41,726	17,003
Other receivables, deposits and prepayments	<i>12</i>	16,822	5,991
Prepaid lease payments		322	336
Bank balances and cash		65,887	45,843
		176,935	97,206
<b>Current liabilities</b>			
Trade payables	<i>13</i>	14,890	8,610
Other payables and accrued charges	<i>13</i>	53,322	51,879
Tax payable		9,118	11,076
Obligations under finance leases – due within one year		265	315
Convertible bonds		–	16,150
		77,595	88,030
<b>Net current assets</b>		99,340	9,176
<b>Total assets less current liabilities</b>		125,214	37,444

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 September 2015

		30 September 2015 <i>HK\$'000</i> (unaudited)	31 March 2015 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
<b>Non-current liabilities</b>			
Deferred tax liabilities	6	4,297	4,698
Borrowings		60,000	60,000
Obligations under finance leases – due after one year		324	430
		64,621	65,128
<b>Net assets (liabilities)</b>		<b>60,593</b>	<b>(27,684)</b>
<b>Capital and reserves</b>			
Share capital	14	367,422	312,689
Reserves		(311,661)	(345,401)
Equity attributable to owners of the Company		55,761	(32,712)
Non-controlling interests		4,832	5,028
<b>Total equity (deficit)</b>		<b>60,593</b>	<b>(27,684)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2015*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



### 3. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focusing on types of goods or services delivered or provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (i) Investments: Investment and trading of securities
- (ii) Loan financing: Provision of loan financing services
- (iii) Property investment: Holding investment properties for rental and capital appreciation
- (iv) Manufacture and sale of accessories: Manufacture and sale of accessories for photographic and electrical products

As the manufacture of solar grade polycrystalline operation was discontinued upon disposal of subsidiaries during preceding interim period, the segment information reported below does not include financial information in respect of the discontinued operation.

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Segment revenue and results

For the six months ended 30 September 2015 (unaudited)

#### Continuing operations

	Investments	Loan	Property	Manufacture	Consolidated
	HK\$'000	financing	investment	and sale of	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	accessories	HK\$'000
				HK\$'000	
<b>Segment revenue</b>					
Sales of goods	-	-	-	73,201	73,201
Rental income	-	-	557	-	557
Decrease in fair value of unlisted convertible bonds designated at fair value through profit or loss ("FVTPL") (Note a)	(4,510)	-	-	-	(4,510)
Net decrease in fair value of held-for-trading investments (Note b)	(19,980)	-	-	-	(19,980)
	<u>(24,490)</u>	<u>-</u>	<u>557</u>	<u>73,201</u>	<u>49,268</u>
Segment (loss) profit	<u>(25,320)</u>	<u>-</u>	<u>(167)</u>	<u>4,981</u>	<u>(20,506)</u>
Unallocated corporate expenses					(195,567)
Unallocated other income					78
Unallocated finance costs					<u>(1,876)</u>
Loss before tax					<u><u>(217,871)</u></u>

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Segment revenue and results (Cont'd)

For the six months ended 30 September 2014 (unaudited)

#### Continuing operations

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue</b>					
Sales of goods	–	–	–	53,025	53,025
Rental income	–	–	561	–	561
Investment Income					
– interest income on loan receivable	–	3	–	–	3
Increase in fair value of unlisted convertible bonds designated at FVTPL ( <i>Note a</i> )	9,900	–	–	–	9,900
	<u>9,900</u>	<u>3</u>	<u>561</u>	<u>53,025</u>	<u>63,489</u>
Segment profit (loss)	<u>8,995</u>	<u>3</u>	<u>(321)</u>	<u>1,457</u>	10,134
Unallocated corporate expenses					(13,722)
Unallocated other income					113
Unallocated finance costs					(10,154)
Gain on alteration of terms of convertible bonds					<u>142</u>
Loss before tax					<u>(13,487)</u>

#### Notes:

- (a) Unlisted convertible bonds designated at FVTPL were categorised as level 3 under the fair value hierarchy.
- (b) Held-for-trading investments represented equity securities listed in Hong Kong which were categorised as level 1 under the fair value hierarchy.

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Segment revenue and results (Cont'd)

Segment revenue includes sales of goods, interest income on loan receivable and rental income. In addition, the CODM also consider change in fair value of financial assets at FVTPL, which includes fair value change of unlisted convertible bonds designated at FVTPL and fair value change of held-for-trading investments, as segment revenue.

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of certain other income, certain corporate expenses, gain on alteration of terms of convertible bonds and certain finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

#### Segment assets

The following is an analysis of the Group's assets by reportable and operating segments:

**As at 30 September 2015 (unaudited)**

#### Continuing operations

	Investments	Loan financing	Property investment	Manufacture and sale of accessories	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>48,550</u>	<u>-</u>	<u>20,328</u>	<u>51,960</u>	120,838
Unallocated property, plant and equipment					99
Unallocated other receivables, deposits and prepayments					15,165
Available-for-sale investment					820
Bank balances and cash					<u>65,887</u>
Consolidated total assets					<u>202,809</u>

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Segment assets (Cont'd)

As at 31 March 2015 (audited)

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>24,567</u>	<u>–</u>	<u>21,546</u>	<u>28,349</u>	74,462
Unallocated property, plant and equipment					117
Unallocated other receivables, deposits and prepayments					4,142
Available-for-sale investment					910
Bank balances and cash					<u>45,843</u>
Consolidated total assets					<u>125,474</u>

#### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers from continuing operations is presented based on the location at which the goods or services are delivered or provided.

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Geographical information (Cont'd)

The Group's total revenue from sales of goods from continuing operations by geographical location are detailed below:

	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
United Kingdom	19,312	1,937
Czech Republic	6,603	4,804
Germany	3,513	3,052
Hungary	3,616	4,992
Netherlands	4,183	1,151
Slovenia	3,613	3,469
Other European countries	3,064	2,874
United States of America	10,110	9,625
Hong Kong	3,089	4,381
PRC	8,686	8,102
Japan	5,545	6,174
Others	1,867	2,464
	<u>73,201</u>	<u>53,025</u>

#### 4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
<b>Other income</b>		
Bank interest income	43	107
Interest income from unlisted convertible bonds	177	295
Dividend income from available-for-sale investment	35	–
Sundry income	2,516	39
	<u>2,771</u>	<u>441</u>
<b>Other gains and losses, net</b>		
Gain on alteration of terms of convertible bonds	–	142
Fair value loss on investment properties ( <i>Note 10</i> )	(375)	(378)
Net foreign exchange gain (loss)	77	(47)
Net reversal on allowance for doubtful debts	294	42
Gain on disposal of prepaid lease payments	36	410
	<u>32</u>	<u>169</u>

#### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Interests on other borrowings wholly repayable within five years	1,722	1,160
Interests on other borrowings not wholly repayable within five years	–	1,504
Interests on finance leases wholly repayable within five years	17	10
Effective interest expenses on convertible bonds	372	7,490
	<u>2,111</u>	<u>10,164</u>

## 6. INCOME TAX CREDIT AND DEFERRED TAX LIABILITIES

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax charge for the period:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<u>(463)</u>	<u>(658)</u>
	(463)	(658)
Overprovision in prior year:		
Hong Kong Profits Tax	689	–
Deferred tax credit for the period	<u>65</u>	<u>2,419</u>
	291	1,761
Income tax credit for the period	<u><u>291</u></u>	<u><u>1,761</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is calculated at 25% for both periods.



## 6. INCOME TAX CREDIT AND DEFERRED TAX LIABILITIES (Cont'd)

### Deferred tax liabilities

The followings are the major deferred tax liabilities recognised and movements thereon during the current and preceding interim periods:

	<b>Revaluation of investment properties</b> <i>HK\$'000</i>	<b>Convertible bonds</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2015 (audited)	(4,483)	(215)	(4,698)
Release upon conversion of convertible bonds	–	<b>158</b>	<b>158</b>
Credit to profit or loss for the period	<b>8</b>	<b>57</b>	<b>65</b>
Exchange realignment	<b>178</b>	–	<b>178</b>
	<hr/>	<hr/>	<hr/>
At 30 September 2015 (unaudited)	<b>(4,297)</b>	–	<b>(4,297)</b>

## 7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>889</b>	845
Amortisation of prepaid lease payments	<b>166</b>	170
Share-based payment expense (included in administrative expenses)	<b>184,808</b>	1,225
	<hr/>	<hr/>

## 8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

## 9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
		(Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	<b><u>17,656,207,735</u></b>	<b><u>10,267,121,461</u></b>

The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for each of six months ended 30 September 2015 and 2014 have been adjusted for the impact of share consolidation completed subsequent to the end of the reporting period.

The calculation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options and bonus warrants (six months ended 30 September 2014: exercise of the Company's share options and conversion of the Company's convertible bonds) since their assumed conversion and exercise would result in a decrease in loss per share from the continuing operations.

## 9. LOSS PER SHARE (Cont'd)

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>From continuing and discontinued operations</b>		
<b>Loss</b>		
Loss for the purposes of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>217,578</u>	<u>71,584</u>
<b>From continuing operations</b>		
<b>Loss</b>		
Loss for the purposes of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>217,578</u>	<u>11,786</u>
<b>From discontinued operation</b>		

For the six months ended 30 September 2014, basic and diluted loss per share for the discontinued operation is HK0.58 cents per share, based on the loss for the period from the discontinued operation of approximately HK\$59,798,000 and the denominators detailed above for calculating basic and diluted loss per share.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group incurred approximately HK\$108,000 (six months ended 30 September 2014: approximately HK\$821,000) on additions to property, plant and equipment.

The Group's investment properties as at the end of the current interim period were valued by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values were determined based on market comparison approach assuming sales of property interest in its existing state and making references to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property as available in the relevant market. The decrease in fair value of investment properties of approximately HK\$375,000 has been recognised directly in profit or loss for the six months ended 30 September 2015 (30 September 2014: decrease in fair value of approximately HK\$378,000).

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
Held-for-trading investments		
– equity securities listed in Hong Kong	<b>48,550</b>	–
Unlisted convertible bonds designated at FVTPL	<u>–</u>	<u>24,510</u>
Total	<b><u>48,550</u></b>	<b><u>24,510</u></b>

Held-for-trading investments comprise of equity securities listed in Hong Kong and their fair values are based on quoted market bid prices.

During the six months ended 30 September 2015, the unlisted convertible bonds designated at FVTPL were sold in the market at a cash consideration of HK\$20,000,000 and change in fair value of approximately HK\$4,510,000, which represented realised loss on the disposal, was recognised in profit or loss.

## 12. TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### Trade receivables

The Group allows an average credit period ranging from 60 to 150 days to its trade customers from manufacture and sale of accessories business. The following is an ageing analysis of trade receivables, based on the invoice date at the end of the reporting period, net of allowances for doubtful debts:

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
0 – 60 days	27,950	13,958
61 – 150 days	13,776	3,045
	<u>41,726</u>	<u>17,003</u>

### Other receivables, deposits and prepayments

As at 30 September 2015, included in other receivables, deposits and prepayments are legal and professional fees of approximately HK\$11,695,000 (31 March 2015: nil) incurred in relation to, among others, issue of new shares and warrants, capital reorganisation and share consolidation subsequent to the end of the current interim period, of which approximately HK\$5,869,000 has been paid before the end of the current interim period and approximately HK\$5,826,000 has been accrued and included in “other payables and accrued charges”.

## 13. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUED CHARGES

### Trade payables

The following is an ageing analysis of trade payables, based on the invoice date at the end of the reporting period:

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
0 – 60 days	14,817	8,563
61 to 150 days	23	–
Over 150 days	50	47
	<u>14,890</u>	<u>8,610</u>

### 13. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUED CHARGES (Cont'd)

#### Trade payables (Cont'd)

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

#### Other payables and accrued charges

As at 30 September 2015, included in other payables and accrued charges are mainly miscellaneous tax payables of approximately HK\$41,344,000 (31 March 2015: approximately HK\$40,841,000).

### 14. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015		200,000,000,000	2,000,000
<b>Issued and fully paid:</b>			
At 1 April 2015 (audited)		31,268,921,605	312,689
Issue of new shares upon exercise of bonus warrants	<i>(a)</i>	<b>1,098,324,677</b>	<b>10,983</b>
Issue of new shares upon conversion of convertible bonds	<i>(b)</i>	<b>4,375,000,000</b>	<b>43,750</b>
At 30 September 2015 (unaudited)		<b>36,742,246,282</b>	<b>367,422</b>

## 14. SHARE CAPITAL (Cont'd)

*Notes:*

- (a) During the six months ended 30 September 2015, 1,098,324,677 units of bonus warrants had been exercised by the holders thereof and 1,098,324,677 ordinary shares were issued and allotted by the Company to them. The Group received gross proceeds of approximately HK\$109,832,000 from such exercise of bonus warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. As at 30 September 2015, 4,279,599,940 (31 March 2015: 5,377,924,617) units of bonus warrants remained outstanding.
- (b) In May 2015, 4,375,000,000 ordinary shares of the Company of HK\$0.01 each were issued upon conversion of the convertible bonds with aggregate principal amount of HK\$350,000,000 into ordinary shares of the Company at a conversion price of HK\$0.08 each.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results and Business Review

The Group recorded a loss for the six months ended 30 September 2015 (the “**Period**”). The loss attributable to the shareholders of the Company (“**Shareholders**”) for the Period amounted to approximately HK\$217.6 million, which increased by approximately HK\$146.0 million, as compared to that of approximately HK\$71.6 million for the corresponding period last year. The loss was mainly attributable to:

- (i) equity-settled share-based payments expenses of approximately HK\$184.8 million (2014: approximately HK\$1.2 million); and
- (ii) net loss in fair value of financial assets at fair value through profit or loss of approximately HK\$24.5 million (2014: net gain of approximately HK\$9.9 million).

The basic and diluted loss per share for continuing and discontinued operations was HK1.23 cents for the Period, as compared to that of HK0.70 cents (restated) in last period.

## **Investments**

The segment recorded a loss of approximately HK\$25.3 million for the Period as compared with a gain of approximately HK\$9.0 million in the corresponding period last year. The loss for the Period was mainly attributable to a net realised loss from disposal of the unlisted convertible bonds designated at fair value through profit or loss of approximately HK\$4.5 million, a net realised loss from fair value change in held for trading investment in securities of approximately HK\$3.7 million and a net unrealised loss from fair value change in held for trading investments in securities of approximately HK\$16.3 million.

## **Loan financing**

During the Period, no new loan was granted and therefore no interest income was generated for this segment (2014: approximately HK\$0.003 million).

## **Property investment**

During the Period, rental income of approximately HK\$0.6 million from investment properties remained unchanged when compared to that of the corresponding period last year.

With the decrease in fair value of investment properties as at 30 September 2015 as compared to the corresponding period last year, a fair value loss of approximately HK\$0.4 million was recognised during the Period. The decrease in fair value was mainly due to the slight decrease in the market price of the investment properties.

## **Manufacture and sale of accessories**

The Period saw an increase in overseas sale with the segment's turnover increasing from approximately HK\$53.0 million for the corresponding period last year to approximately HK\$73.2 million for the Period, representing an increase of approximately 38.1%. The increase was mainly due to the completion of a significant order from a new customer during the Period.

Due to the relatively low margin of the above-mentioned significant order, the gross profit margin of the segment decreased from approximately 34.7% to 25.6% on average for the Period. Nevertheless, with the decrease in distribution costs and administrative expenses, the segment recorded a profit of approximately HK\$5.0 million, which increased by approximately HK\$3.5 million, from approximately HK\$1.5 million for the corresponding period last year.



## **PROSPECTS**

### **Manufacturing and sales of accessories**

The Group expects the performance of manufacturing and sales of accessories will remain stable in the year ahead. The single-lens reflex camera photographic market has declined but seems to have bottomed out at a stable level. The action camera accessories business is further contributing to this business and the Group is developing more accessories for respective clients in this area.

As Europe is one of our strongest markets, the Group is still wary about the effect of exchange rate on orders. In addition, it is not clear how the financial turmoil on the stock markets will affect the financial stability of some of our publicly listed core clientele. Nevertheless, considering the positive results achieved in the first half year, the performance of this business is expected to remain stable.

### **Business Overview of Hengten Networks**

#### **I. Description of business**

The “3+2+x” business structure of Hengten Networks comprises three fundamental segments, being property services, neighborhood social networking and life services, and two value-added segments, being Internet home and community finance as well as those segments as might be derived in the future.

With the three fundamental segments and the two value-added segments as its core, Hengten Networks continues to expand its function modules in order to comprehensively and effectively solve problems found in traditional community property management and community life. It has innovatively created a comprehensive, efficient and useful social Online-to-offline (O2O) platform and built an innovative “Internet + community” way of living.

Statistics shows that properties under management across China had a total gross floor area of over 20 billion square metres as at the end of 2014, covering 260 million households and 740 million persons, 94% of which were still to be consolidated or developed. In the next three years, it is expected that there will be additional properties with a total gross floor area of 3.5 billion square metres will become under management in China, indicating vast room for development of internet community services. In view of such a huge blue ocean market, Hengten Networks is committed to building a one-stop community O2O platform with highest traffic, best services, experiences and reputation for users in China which will make the dream of an intelligent and harmonious community come true.

**1. *Innovative improvement in property services and the start of an intelligent life***

Hengten Networks creatively provides solutions to solve problems in property management and realizes a high level of integration of Internet and property services.

The property services segment made a breakthrough by providing home facilities repair and maintenance, collection of property management fees and utilities fees, convenient services and information communication through multiple methods including mobile Apps, websites and Weixin public accounts, providing non-stop convenience to property owners.

Various intelligent equipment has provided property owners with a safe, healthy, convenient and comfortable living and travelling environment. “Intelligent” services in many areas such as access security monitoring, vehicle management, household health management and intelligent home management have created the start of intelligent life.

Taking “Electronic Repair” (維修 E) as an example, any property owner wishing to obtain repair service just need to click on his cellphone and responses will be provided within minutes. Experts will arrive quickly to provide on-site repair services, and payment and feedback can be made afterwards. A simple click can solve the property owner’s need through the integration of online and offline services.

**2. *Rebuild neighborhood social networking to actively create a close community***

“A helpful neighbor is more useful than a relative far away.” Neighborhood relationship has always been one of the most important social relationship in China. However, more and more neighbors in the community have become the “most familiar strangers”. Through the neighborhood social networking segment, Hengten Networks provides neighborhood social networking products integrating online and offline services, making those “most familiar strangers” become “great neighbors”, which has significantly improved users’ stickiness to the community platform.

Hengten Networks has established a neighborhood social networking segment incorporating activity initiating, topic discussion and online communication functions by sticking to its philosophy of “weaving a close network and a warm home” and integrating unique product designs and distinct themes and elements of neighborhood social networking, which not only has created a brand new social networking platform but has also promoted the development of community culture by focusing on neighborhood cooperation.

A wide range of activities including square dancing, sharing of parenting experience, children’s day care, exchange of life skills and pet fostering can be conducted under the segment, and many business models such as carpooling, travelling companion, short-term lease of properties and community secondhand market can arise.

### **3. *Customized life e-commerce services to enable precise marketing***

China’s domestic service market has a capacity of nearly RMB6,000 billion, less than 5% of which is met by deals concluded through the Internet. As mobile Internet is becoming increasingly popular, O2O local life e-commerce services will experience explosive growth. However, life e-commerce services have higher standards for operating capacity of sources, distribution and services, which can only be met by large-scale and diversified industrial groups.

Through collection and accumulation and in-depth analysis of a wide range of information on property owners, Hengten Networks is able to provide users with a customized domestic service platform.

In particular, it can provide customized domestic services in areas such as education and training, sports and health, and leisure and travelling and promotions of fresh food and specialty local products for a limited period and quantity catering to the habits of property owners.

### **4. *One-stop Internet household platform to achieve move-in condition in a property***

As at the end of 2014, the total size of China’s household retail market reached RMB2.1 trillion, with a large number of brands, large shopping areas and a great variety of products.

In reality, however, it still causes headaches to countless consumers to decide what styles and patterns of household products to choose, their combination and whether the price is reasonable.

By introducing the Internet home platform, Hengten Networks aims to provide property owners with a wide range of customized home packages which can achieve move-in condition with one click and significantly reduce the time required for users in selection, purchase, delivery and installment. It also sets up an “Internet home alliance” together with leading home decoration, home appliance and household textile manufacturers in the PRC to provide users with the best and most affordable options using advantageous resources in multiple industries.

5. *Innovative community financial products and services to help residents in investing and wealth management*

Hengten Networks’ community finance platform effectively combines Internet finance and community finance, making it the best, most trustworthy and biggest access for Internet finance to enter communities.

Through the development of various finance models, the community finance segment of Hengten Network will make full use of the enormous resources of the Company’s parent company, Evergrande Real Estate Group Limited (“**Evergrande**”) of over 4 million users in more than 335 communities across more than 154 cities in the PRC in order to become an Internet finance portal incorporating and covering whole industrial chain such as property development, property management, financial services and community finance information.

Hengten Networks’ community finance segment provides a wide range of finance products, consulting services and wealth management services and has become a carrier for various finance products in the communities such as insurance product promotion, crowdfunding, micro-loans, joint credit cards and one card solutions for communities.

## II. Unique advantages

### 1. *Advantages of Evergrande*

- (1) **Size advantage:** With total assets of RMB540 billion, Evergrande Real Estate Group Limited (“**Evergrande**”) is the No.1 property developer that has the biggest number of projects under development, widest presence in provincial capitals, largest areas of properties sold and land bank in the PRC. For the first half of 2015, it has a total area under construction of 41.70 million square metres, land bank of 144 million square metres and contract sales area of 11.378 million square metres, ranking No. 1 in the PRC. With presence in more than 335 communities across over 154 cities in the PRC, it has properties under its management of 50 million square metres covering nearly 4 million property owners, with another 700,000 to 800,000 property owners added each year.
- (2) **Brand advantage:** According to two most authoritative and influential rankings of brands for 2015 in the PRC property sector, the Evergrande brand has been ranked No.1 in top 10 PRC property developers for six consecutive years. Winning AFC Champions League and Chinese Super League by Evergrande’s football team enables Evergrande to enjoy greatest awareness and reputation and possess incomparable community user resources.
- (3) **Diversity advantage:** With Evergrande’s presence in diversified industries including property development, cultural tourism, bottled water, grains and oil, dairy, health, sports, commerce, hotel, cinema and music, the community O2O platform covers all kinds of life scenarios from daily material life to spiritual life and consolidates offline resources of supply chain, distribution channels, online marketing and media communication, which will further improve the appeal of the platform.

### 2. *Tencent’s advantages*

- (1) Tencent Holdings Limited (“**Tencent**”), another shareholder of Hengten Networks, is one of the biggest Internet companies in the world. Tencent is committed to developing with the Internet and providing its partners with a win-win environment through investments and innovations.

- (2) Through leading internet platforms in the PRC including instant messaging tool QQ, mobile social networking and communication service Weixin and WeChat, Internet portal QQ.com, Tencent Games and social networking platform Qzone, Tencent has built the largest Internet community in the PRC to meet the needs of Internet users in communication, social networking, information, entertainment and payment.
- (3) For the year up to September 2015, Tencent recorded total revenue of RMB72,422 million and profit of RMB297,39 million, 860 million monthly active QQ user accounts and peak concurrent QQ user accounts of 239 million. The combined monthly active of Weixin and Wechat amounted to 650 million.
- (4) Tencent's development has had a profound impact in changing the forms of communication and habits of millions of Internet users and created even vast areas of application in the PRC Internet industry.

With complementary advantages and shared resources between Evergrande and Tencent and their great influence and appeal in their respective industries, the Company believes that there will be in-depth cooperation in product planning, research and development and operation in building a groundbreaking online-to-offline community and O2O service platform.

### **3. Team advantage**

Hengten Networks' O2O business team has a complete system comprising comprehensive online and offline human resources.

- (1) **Online part:** A team of capable staff in product, operation, research and development and industry cooperation functions has been established, with core members all from largest domestic and overseas Internet companies such as Tencent. Substantially all of them graduated from top universities in China and overseas. With an average age of 28 and average industry experience of 6.5 years, they possess innovative thinking, wide vision and flexible product development capability from the Internet industry, as well as high efficiency and execution ability inherited from the culture of Evergrande, and are the execution team with most complete structure and most extensive experience in the community O2O area in China.
- (2) **Offline part:** Through seamless online cooperation and connection with the most experienced property management team in the PRC in community product marketing, implementation of services and organization of services, a complete service cycle has been formed.

### **III. Development plans**

#### ***1. Rapid expansion of community size***

In view of the vast blue ocean community market, a strategy of pilot first, orderly expansion and efficient advancement has been developed to realize step-by-step coverage of all Evergrande communities and other communities across China. It is the Company's development target that:

- (1) By the end of 2015, Hengten Networks' community O2O products will be fully launched in the first batch of pilot communities.
- (2) The service coverage will be expanded into most of Evergrande communities in 2016.
- (3) The service coverage will be expanded into all Evergrande communities while focusing on expansion into other communities in 2017, establishing its absolute leading position in the O2O market.

#### ***2. Increase in the number of users***

Through continuous exploration of high-frequency property needs of community residents and neighborhood social networking model adapted to local conditions, the stickiness of users to the platform will be improved, and all kinds of domestic services will be gradually further launched to realize striding development in size. It is the Company's development target that:

- (1) By the end of 2015, users in the first batch of pilot communities will be covered.
- (2) Through seed users and opinion leaders and the rapid growth of number of users as the size of communities grows, users in most of Evergrande communities will be covered by 2016.
- (3) By the end of 2017, users in all Evergrande communities and some other communities will be covered and a momentum of rapid growth will be maintained.

### **IV. Profit model**

#### ***1. Fundamental source of profit: improving stickiness with fundamental services***

Hengten Networks strives to build a business platform with strongest appeal and competitiveness to create source of quality and efficient profit. With its unique combination of "3+2+x" business segments and three types of fundamental services, a high-frequency service platform with high user stickiness will be created.

- (1) The property service segment is committed to responding to daily high-frequency property needs of property owners, improving the loyalty of users to its product platform and creating opportunities to provide additional services.
- (2) The neighborhood social networking segment is committed to rebuilding neighborhood relationship, forming mapping of online users to their real identities, incorporating unique functions and social networking elements to build a platform with high user activity and loyalty.
- (3) The life e-commerce service segment is committed to meeting all kinds of life and consumption needs of property owners and becoming a popular consumption platform among property owners by minimizing the process involved in between product sale and services to provide property owners with affordable high-quality products and services.

**2. *Method of making profit: obtaining revenue from value-added services***

As for value-added services, two product lines with steady sources of revenue and high profit margin will be established through Internet home and community finance so that strong support will be provided for continuous investment in other business.

Pioneering in the industry, Internet home is the first to meet the needs of property owners for home decoration with an Internet home platform incorporating online and offline services. Through customized design, group purchase and shortening of the distribution process, profit can be generated sustainably to provide large cash flows. Given its unique centralized procurement advantage with its supplier alliance, there will be great room for profit.

The community finance segment builds a finance marketing and service ecosphere with strong trust, develops diversified investment and consumption products to realize sustained profitability and become a pillar segment supporting the development of the Company.

In addition, various profit models can be derived from the basic service segment once it has reached a certain size, such as the brand communication channel based on social networking, neighborhood economy including short-term community property lease, and merchants entering e-commerce platform and profit sharing, which will further expand the sources of revenue, continue to generate new products and segments, and develop future product mix into a more diversified “3+2+x” model.



## **LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO**

The Group primarily financed its operations through fund raising exercise, other borrowings and by its internal resources and shareholder's equity. During the Period, the liquidity of the Group was tight and the Company explored various initiatives to seek new funding and improve the debt to equity ratio by raising funding in the equity market with an aim to enhance the capital base of the Company.

### **Liquidity**

As at 30 September 2015, the Group maintained cash and bank balances of approximately HK\$65.9 million (As at 31 March 2015: approximately HK\$45.8 million). The increase in cash and bank balances was mainly due to the proceeds from the exercise of the bonus warrants.

### **Capital Resources – exercise of the bonus warrants during the Period**

The bonus warrant issue to Shareholders on the basis of one warrant (the “**Existing Warrant**”) for every five shares held on the record date, entitling the warrant holders to subscribe in cash for one new share at an initial subscription price of HK\$0.1 per new share, at any time from 24 February 2015 to 23 February 2017 (both days inclusive) was announced on 24 December 2014 and completed on 24 February 2015. During the Period, 1,098,324,677 new shares had been issued and allotted upon exercise of 1,098,324,677 Warrants with net proceeds of approximately HK\$109.8 million. The net proceeds of approximately HK\$36.2 million, HK\$5.8 million and HK\$17.9 million have been used for investment, the financing of the interest expenses of the convertible bonds and as general working capital, respectively.

### **Borrowing and Gearing Ratio**

As at 30 September 2015, the Group's total equity amounted to approximately HK\$60.6 million (As at 31 March 2015: net deficit of approximately HK\$27.7 million) while total assets amounted to approximately HK\$202.8 million (As at 31 March 2015: approximately HK\$125.5 million). Net current assets were approximately HK\$99.3 million (As at 31 March 2015: approximately HK\$9.2 million) and the current ratio was 2.3 times (As at 31 March 2015: 1.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing bank and other borrowings plus convertible bonds and obligations under finance lease) over Shareholders' funds was 108.7% (As at 31 March 2015: (235.07%)).

As at 30 September 2015, the Group had no secured bank borrowings (As at 31 March 2015: Nil).

## **CHARGE OF ASSETS**

As at 30 September 2015, no margin facility had been utilised by the Group (As at 31 March 2015: no margin facility was granted to the Group as no listed equity securities were held by the Group).

## **CONTINGENT LIABILITIES**

The Company and the Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 30 September 2015 (As at 31 March 2015: Nil).

## **CURRENCY RISK MANAGEMENT**

The majority of the Group's assets are denominated in Hong Kong dollars with no material foreign exchange exposure. The Group's manufacturing business also operates in overseas markets, the operation of which alone accounts for approximately HK\$61.4 million of the Group's sales turnover. In safeguarding the volatile Eurodollar currency risk, the management chose to adopt a more prudent sales policy by mainly accepting sale orders quoted in US dollars, which in turn could enable the management to maintain a stable currency exchange condition for normal trading business development. The Group currently does not have a foreign currency hedging policy. During the Period, the Directors were of the view that the Group's exposure to exchange rate risk was not material, and would continue to monitor it.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the Period are set out in note 14 to the condensed consolidated financial statements.

## **INTERIM DIVIDEND**

The Board does not recommend payment of interim dividends for the six months ended 30 September 2015 (2014: Nil).

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Period.

## **SHARE-BASED PAYMENTS**

### **2013 Option Scheme**

The Company's share option scheme (the "**2013 Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Option Scheme is to provide incentives to eligible participants. During the Period, 2,223,507,839 options had been granted to the Directors or employees of the Company (the "**Grantees**") on 22 April 2015 and all these 2,223,507,839 options had been surrendered by the Grantees and had thus been cancelled on 22 May 2015. As at 30 September 2015, there was no outstanding share option of the Company (As at 31 March 2015: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2015, the Group employed approximately 314 employees, around 85.0% of them were employed in the People's Republic of China for the manufacturing business of the Group. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the six months ended 30 September 2015, including Directors' emoluments, amounted to approximately HK\$205.1 million.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

As disclosed in the circular of the Company dated 21 September 2015 (the "**Circular**"), the Company proposed to carry out, amongst others, (i) a capital reorganisation, (ii) issue of new shares and unlisted new warrants and (iii) a share consolidation.

The capital reorganisation involved reduction of nominal value of each issued share from par value of HK\$0.01 each to HK\$0.001 each by cancellation of the paid-up capital of the Company to the extent of HK\$0.009 on each issued share and subdivision of each of the authorised but unissued shares of HK\$0.01 each into 10 shares of par value of HK\$0.001 each (the "**Capital Reorganisation**"). The proposal for the Capital Reorganisation has obtained Shareholder's approval at a special general meeting of the Company held on 15 October 2015 and became effective on 16 October 2015.

The issue of new shares and unlisted new warrants related to a subscription agreement entered into between, among others, the Company, Evergrande Real Estate Group Limited (“**Evergrande**”) and Mount Yandang Investment Limited (“**Mount Yandang**”), a wholly-owned subsidiary of Tencent Holdings Limited (“**Tencent**”), on 15 June 2015 (as supplemented on 2 October 2015) (the “**Subscription Agreement**”). Evergrande, Mount Yandang and Tencent were independent of and not connected to the Group and the directors of the Company at the date of the Subscription Agreement. Pursuant to the Subscription Agreement, Evergrande and Mount Yandang agreed to subscribe for, and the Company agreed to allot and issue (i) new ordinary shares at a price of HK\$0.0061 per share which represents 75.0% of the enlarged total issued share capital of the Company immediately after the issue of the new shares and (ii) new warrants (“**New Warrants**”) at an aggregate nominal consideration of HK\$2, subject to the terms of the Subscription Agreement. The initial exercise price of the New Warrants is HK\$0.0061 per share, subject to adjustments. The subscription period of the News Warrants is five years from the date of issue. The completion conditions under the Subscription Agreement have been fulfilled on 26 October 2015.

As a result of the completion of the Capital Reorganisation and fulfilment of other conditions as set out in the Subscription Agreement, 80,835,141,820 new ordinary shares of HK\$0.001 each and HK\$57,418,811.1948 New Warrants were issued to a wholly-owned subsidiary of Evergrande and 29,394,597,026 new ordinary shares of HK\$0.001 each and HK\$20,879,567.7072 New Warrants were issued to a wholly-owned subsidiary of Tencent (collectively referred to as the “**Subscriptions**”) on 26 October 2015.

The share consolidation involved consolidation of every two issued and unissued shares of par value of HK\$0.001 each into one consolidated share of par value of HK\$0.002 each (the “**Share Consolidation**”). As a result of the completion of the Subscriptions and fulfilment of other conditions to the Share Consolidation as set out in the Circular, the Share Consolidation became effective on 27 October 2015.

As a result of the Share Consolidation, (i) the initial exercise price of each of the Existing Warrant was adjusted from HK\$0.1 per share to HK\$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the Existing Warrants will be adjusted accordingly and (ii) the initial exercise price of the New Warrants was adjusted from HK\$0.0061 each to HK\$0.0122 each and the total number of shares to be issued upon full exercise of the New Warrants (based on the adjusted exercise price of HK\$0.0122 each) was adjusted from 12,835,799,820 shares to 6,417,899,910 consolidated shares.

## REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The Group's interim financial results for the six months ended 30 September 2015 have been reviewed by the Audit Committee.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2015 has been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE

The Board considers that good corporate governance practices of the Company are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the Shareholders and other stakeholders. The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code") during the six months ended 30 September 2015 except for the following deviations from the Code provision:

- 1) Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Period, Mr. Chung Yuk Lun acted as the Company's Acting Chairman from 1 April 2015 to 30 April 2015 and was re-designated and acted as the Chairman from 1 May 2015 to 30 September 2015. The Company has no such title as chief executive officer but the daily operation and management of the Company were monitored by Mr. Chung Yuk Lun, an executive Director, who was also the Acting Chairman of the Company. Since the appointment of Dr. Kwong Kai Sing, Benny as the managing director of the Company on 1 May 2015, the daily operation and management of the Company have been monitored by the managing director of the Company during the Period.

- 2) Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and be subject to re-election. All of the non-executive Directors during the Period were not appointed for specific terms but were subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to bye-law 87(1) of the Company's Bye-laws, each Director shall be subject to retirement by rotation at least once every three years at an annual general meeting of the Company. This means that the terms of appointment of the Directors, including independent non-executive Directors, cannot exceed three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.
  
- 3) Code Provision D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not issue formal letters of appointment for all Directors during the Period. All of the Directors during the Period were, however, required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. The Directors considered that this met the objective of the Code Provision D.1.4.

## **COMPLIANCE WITH THE MODEL CODE**

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, they confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2015.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE**

This interim results announcement is also published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.htmimi.com>). The interim report containing all information required by the Listing Rules will be dispatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

## **FORWARD LOOKING STATEMENTS**

**There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.**

## **APPRECIATION**

The Board would like to express its sincere gratitude to our business partners, employees and shareholders for their continuous support.

By Order of the Board  
**HengTen Networks Group Limited**  
**Fong Kar Chun, Jimmy**  
*Company Secretary*

Hong Kong, 27 November 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Peng Jianjun, Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan.*

*\* for identification purpose only*