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恒腾网络
hengten networks

HENGTEN NETWORKS GROUP LIMITED
恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

The board (the "**Board**") of directors ("**Directors**") of HengTen Networks Group Limited (the "**Company**" or "**HengTen Networks**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December 2017** *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Revenue	*2*	**261,750**	113,250
Cost of sales	*3*	**(79,336)**	(64,800)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — *continued*

	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 (Restated) RMB'000
Gross profit		**182,414**	48,450
Selling and marketing costs	*3*	**(14,325)**	(7,584)
Administrative expenses	*3*	**(51,334)**	(35,100)
Net change in fair value of financial assets at fair value through profit or loss		**10,791**	1,043
Other income	*4*	**2,019**	2,766
Other expense	*5*	**–**	(2,510)
Other gains/(losses)-net	*6*	**1,140**	(1,096)
Operating profit		**130,705**	5,969
Finance costs	*7*	**(8,052)**	(2,591)
Finance income	*7*	**1,231**	950
Finance costs-net	*7*	**(6,821)**	(1,641)
Profit before income tax		**123,884**	4,328
Income tax (expenses)/credit	*8*	**(31,032)**	257
Profit for the year		**92,852**	4,585
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net (loss)/gain on fair value changes of available-for-sale financial assets		**(65)**	67
Currency translation difference		**(47,134)**	40,841
Other comprehensive income for the year, net of tax		**(47,199)**	40,908
Total comprehensive income for the year		**45,653**	45,493

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — *continued*

	Note	**Year ended 31 December 2017** *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Profit/(loss) attributable to:			
– Owners of the Company		**96,216**	4,307
– Non-controlling interests		**(3,364)**	278
		92,852	4,585
Total comprehensive income attributable to:			
– Owners of the Company		**49,017**	45,215
– Non-controlling interests		**(3,364)**	278
		45,653	45,493
Earnings per share attributable to owners of the Company for the year (expressed in RMB cents per share)			
– Basic earnings per share	*9*	**0.1185**	0.0053
– Diluted earnings per share	*9*	**0.1172**	0.0051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 RMB'000	31 December 2016 (Restated) RMB'000	1 January 2016 (Restated) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment		**27,324**	36,093	3,197
Intangible assets	*10*	**8,443**	6,122	–
Land use rights		**85**	346	618
Investment properties		**15,600**	15,400	16,800
Deferred tax assets		**771**	2,316	–
Available-for-sale financial assets		**645**	710	643
Prepayments	*12*	**183**	5,159	–
		53,051	66,146	21,258
Current assets				
Inventories		**4,616**	2,210	2,503
Trade receivables	*11*	**177,612**	21,242	16,026
Other receivables and prepayments	*12*	**16,278**	11,428	4,035
Financial assets at fair value through profit or loss		**53,042**	45,750	42,034
Cash and cash equivalents		**901,165**	836,150	642,131
		1,152,713	916,780	706,729
Total assets		**1,205,764**	982,926	727,987
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital		**150,172**	150,151	148,424
Share premium		**4,454,940**	4,452,855	4,282,234
Other reserves		**9,234**	46,489	3,955
Accumulated losses		**(3,734,094)**	(3,820,370)	(3,823,391)
		880,252	829,125	611,222
Non-controlling interests		**803**	4,167	3,889
Total equity		**881,055**	833,292	615,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *continued*

	Note	**31 December 2017** *RMB'000*	31 December 2016 (Restated) *RMB'000*	1 January 2016 (Restated) *RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings		**50,000**	53,571	50,420
Obligations under finance leases		**461**	459	252
Deferred tax liabilities		**3,551**	3,371	3,585
		54,012	57,401	54,257
Current liabilities				
Trade payables	*13*	**65,661**	11,694	5,146
Other payables	*14*	**170,588**	74,765	45,639
Current income tax liabilities		**34,076**	5,606	7,658
Obligations under finance leases		**372**	168	176
		270,697	92,233	58,619
Total liabilities		**324,709**	149,634	112,876
Total equity and liabilities		**1,205,764**	982,926	727,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of 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.

(a) Change in presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to Renminbi ("RMB") for the preparation of its consolidated financial statements. Having considered the principal activities of the Group are now mainly conducted in the People's Republic of China (the "PRC") where the functional currency of those subsidiaries in the PRC are in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's performance and financial position in these consolidated financial statements.

The change in presentation currency has been applied retrospectively. The comparative figures in these consolidated financial statements were then translated to RMB using the applicable closing rates for assets and liabilities in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of comprehensive income. Share capital, share premium and reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(b) New and amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on 1 January 2017

HKAS 7 (Amendment)	Statement of cash flows
HKAS 12 (Amendment)	Income taxes
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The adoption of those amendments did not have significant impact on the consolidation financial statements, other than certain disclosures.

(c) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 1 (Amendment)	First Time Adoption of HKFRS 1	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 40 (Amendment)	Investments in Investment property	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 9, HKFRS 15 and HKFRS 16.

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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale financial assets (AFS) would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group assesses that adopting HKFRS 9 will not have a material impact on the Group's financial position and results of operations.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

Management is currently assessing the effects of applying the new standard of HKFRS 15 on the Group's financial statements and has identified the following areas that are likely to be affected:

i. revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

ii. accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

iii. rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

The Group considers that the adoption of the new standard of HKFRS 15 will not have a significant impact on the Group's financial position and results of operations.

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statement of financial position. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the consolidated statement of comprehensive income. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: internet community services, investments, property investment and manufacture and sales of accessories.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Certain corporate expenses, other income and finance costs are not included in the results for each operating segment.

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2017 are as follows:

	Internet community services *RMB'000*	Investments *RMB'000*	Property investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	**193,008**	**2,032**	**–**	**66,710**	**261,750**
Dividend income from available-for-sale financial assets *(Note 4)*	**–**	**58**	**–**	**–**	**58**
Interest income on financial assets held as investments *(Note 4)*	**–**	**1,830**	**–**	**–**	**1,830**
Net change in fair value of financial assets at fair value through profit or loss	**–**	**10,791**	**–**	**–**	**10,791**
	193,008	**14,711**	**–**	**66,710**	**274,429**
Segment profit/(loss)	**124,922**	**14,711**	**(1,204)**	**2,985**	**141,414**
Unallocated corporate expenses					**(10,838)**
Unallocated other income					**91**
Unallocated finance costs-net					**(6,783)**
Profit before income tax					**123,884**
Depreciation	**(13,645)**	**–**	**–**	**(1,234)**	**(14,879)**
Amortisation	**(3,678)**	**–**	**–**	**(261)**	**(3,939)**

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2016 are as follows:

	Internet community services (Restated) *RMB'000*	Investments (Restated) *RMB'000*	Property investment (Restated) *RMB'000*	Manufacture and sales of accessories (Restated) *RMB'000*	Consolidated (Restated) *RMB'000*
Revenue	31,818	2,463	–	78,969	113,250
Rental income *(Note 4)*	–	–	668	–	668
Dividend income from available-for-sale financial assets *(Note 4)*	–	61	–	–	61
Net change in fair value of financial assets at fair value through profit or loss	–	1,043	–	–	1,043
	31,818	3,567	668	78,969	115,022
Segment profit/(loss)	7,123	3,567	(2,632)	1,727	9,785
Unallocated corporate expenses					(3,843)
Unallocated finance costs-net					(1,614)
Profit before income tax					4,328
Depreciation	(7,042)	–	–	(1,329)	(8,371)
Amortisation	(729)	–	–	(262)	(991)

Segment assets and liabilities as at 31 December 2017 are as follows:

	Internet community services *RMB'000*	Investments *RMB'000*	Property investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
ASSETS					
Segment assets	**210,837**	**53,687**	**15,600**	**20,801**	**300,925**
Unallocated property, plant and equipment					**1**
Unallocated other receivables and prepayments					**2,902**
Deferred tax assets					**771**
Cash and cash equivalents					**901,165**
Consolidated total assets					**1,205,764**
LIABILITIES					
Segment liabilities	**209,607**	**–**	**–**	**24,530**	**234,137**
Unallocated other payables					**2,945**
Unallocated borrowings					**50,000**
Current income tax liabilities					**34,076**
Deferred tax liabilities					**3,551**
Consolidated total liabilities					**324,709**

Segment assets and liabilities as at 31 December 2016 are as follows:

	Internet community services (Restated) *RMB'000*	Investments (Restated) *RMB'000*	Property investment (Restated) *RMB'000*	Manufacture and sales of accessories (Restated) *RMB'000*	Consolidated (Restated) *RMB'000*
ASSETS					
Segment assets	61,623	46,461	15,400	17,795	141,279
Unallocated property, plant and equipment					41
Unallocated other receivables and prepayments					3,140
Deferred tax assets					2,316
Cash and cash equivalents					836,150
Consolidated total assets					982,926
LIABILITIES					
Segment liabilities	47,239	–	–	27,503	74,742
Unallocated other payables					12,344
Unallocated borrowings					53,571
Current income tax liabilities					5,606
Deferred tax liabilities					3,371
Consolidated total liabilities					149,634

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than certain property, plant and equipment, certain other receivables and prepayments, deferred tax assets and cash and cash equivalents; and

- all liabilities are allocated to reportable and operating segments, other than certain other payables, certain borrowings, current income tax liabilities and deferred tax liabilities.

Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2017 and 2016.

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

The Group's total revenue from sales of goods and services by geographical location is detailed below:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
PRC	**202,250**	41,020
Europe	**23,532**	38,866
Hong Kong	**24,481**	13,293
Others	**11,487**	20,071
	261,750	113,250

The Group's total revenue by category is detailed below:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Provision of internet community services	**193,008**	31,818
Sales of goods	**66,710**	78,969
Dividend income	**2,032**	2,463
	261,750	113,250

The Group's non-current assets excluding available-for-sale financial assets and deferred tax assets by geographical location of the assets are detailed below:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
PRC	**50,090**	61,629
Hong Kong	**1,545**	1,491
	51,635	63,120

3 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Cost of inventories sold	**39,291**	47,243
Change in finished goods and work in progress	**2,279**	391
Staff costs	**61,616**	40,279
Legal and professional fees	**3,337**	3,881
Depreciation	**14,902**	8,396
Advertising and promotion costs	**6,468**	1,924
Auditors' remuneration		
– Audit services (a)	**2,380**	2,161
– Non-audit services	**1,011**	932
Amortisation of land use rights	**261**	262
Amortisation of intangible assets *(Note 10)*	**3,678**	729
Reversal of provisions and other payables (b)	**(10,755)**	(12,751)

(a) The remuneration paid and payable to the auditor of the Company amounted to approximately RMB2,348,000. Others were paid to other auditors for audit services rendered to the subsidiaries of the Company.

(b) During the year ended 31 December 2017, the Group assessed on the provisions for the taxes and surcharges in relation with certain transactions for which the ultimate tax determination is uncertain. Management considered provisions of approximately RMB10,755,000 (for the year ended 31 December 2016: approximately RMB12,751,000) were not necessary and determined to reverse the provisions during the year.

4 OTHER INCOME

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Interest income on financial assets held as investments	**1,830**	–
Dividend income from available-for-sale financial assets	**58**	61
Network equipment usage and maintenance service income	**–**	1,946
Rental income	**–**	668
Sundry income	**131**	91
	2,019	2,766

5 OTHER EXPENSE

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Depreciation of leased network equipment	**–**	2,510

6 OTHER GAINS/(LOSSES)-NET

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Reversal of allowance for/(allowance for) doubtful debts	**1,441**	(82)
Fair value gains/(losses) on investment properties	**200**	(1,400)
Net (loss)/gain on disposal of property, plant and equipment	**(76)**	40
Sundry (losses)/gains	**(425)**	346
	1,140	(1,096)

7 FINANCE COSTS-NET

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Finance costs:		
– Interests expenses on borrowings	**8,014**	2,565
– Interests expenses on obligations under finance leases	**38**	26
	8,052	2,591
Finance income:		
– Interest income on saving deposits	**(1,231)**	(950)
Finance costs-net	**6,821**	1,641

8 INCOME TAX (EXPENSES)/CREDIT

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Current income tax		
– provision for the year	**(30,573)**	(4,391)
– over-provision in respect of prior year	**1,266**	2,118
	(29,307)	(2,273)
Deferred income tax	**(1,725)**	2,530
	(31,032)	257

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Profit before income tax	**123,884**	4,328
Tax calculated at the tax rates applicable to profits in the respective jurisdictions	**32,080**	2,228
Reversal of provisions and other payables not subject to tax	**(3,235)**	(3,188)
Income not subject to tax	**(55)**	(15)
Expenses not deductible for tax purposes	**1,255**	1,303
Tax losses for which no deferred income tax asset was recognised	**4,358**	2,076
Over-provision in respect of prior years	**(1,266)**	(2,118)
Utilisation of tax losses previously not recognised	**(2,105)**	(543)
	31,032	(257)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the year ended 31 December 2017 (for the year ended 31 December 2016: nil).

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (for the year ended 31 December 2016: 25%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

9 EARNINGS PER SHARE

(a) Basic

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.

	Year ended 31 December 2017	Year ended 31 December 2016 (Restated)
Profit attributable to owners of the Company (RMB'000)	**96,216**	4,307
Weighted average number of ordinary shares in issue (thousands)	**81,165,285**	80,757,903
Basic earnings per share (RMB cents per share) for the year	**0.1185**	0.0053

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the year ended 31 December 2017 and the year ended 31 December 2016 have been adjusted for the impact of the bonus element implicit in the discount for the new shares and the new warrants issued by the Company on 26 October 2015.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share warrants. The number of shares that would have been issued assuming the exercise of the share warrants less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December 2017	Year ended 31 December 2016 (Restated)
Profit attributable to owners of the Company (RMB'000)	**96,216**	4,307
Weighted average number of ordinary shares in issue (thousands)	**81,165,285**	80,757,903
Adjustments for:		
– Share warrants (thousands)	**951,165**	3,491,399
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**82,116,450**	84,249,302
Diluted earnings per share (RMB cents per share) for the year	**0.1172**	0.0051

10 INTANGIBLE ASSETS

	Acquired internet platform *RMB'000*	Capitalised development costs *RMB'000*	Total *RMB'000*
Year ended 31 December 2016 (Restated)			
Opening net book amount	–	–	–
Additions	1,117	5,734	6,851
Amortisation charge	(140)	(589)	(729)
Closing net book amount	977	5,145	6,122
At 31 December 2016 (Restated)			
Cost	1,117	5,734	6,851
Accumulated amortisation	(140)	(589)	(729)
Net book amount	977	5,145	6,122
Year ended 31 December 2017			
Opening net book amount	977	5,145	6,122
Additions	1,123	4,876	5,999
Amortisation charge	(562)	(3,116)	(3,678)
Closing net book amount	1,538	6,905	8,443
At 31 December 2017			
Cost	2,240	10,610	12,850
Accumulated amortisation	(702)	(3,705)	(4,407)
Net book amount	1,538	6,905	8,443

Amortisation of approximately RMB3,678,000 was included in "cost of sales" in the consolidated statement of comprehensive income.

11 TRADE RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Trade receivables		
– Third parties	**178,885**	24,410
– A related party	**–**	882
Trade receivables – gross	**178,885**	25,292
Less: allowance for doubtful debts (b)	**(1,273)**	(4,050)
Trade receivables – net	**177,612**	21,242

Trade receivables were denominated in the following currencies:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
– RMB	**168,302**	12,545
– US$	**10,372**	12,747
– EUR	**182**	–
– HK$	**29**	–
	178,885	25,292

(a) Trade receivables mainly arose from manufacture and sales of accessories and internet community services. The Group allows an average credit period ranging from 60 to 180 days to its trade customers. The following is an ageing analysis of trade receivables net of allowances for doubtful debts, based on the invoice date which approximates the revenue recognition date at the end of the reporting period.

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Within 60 days	**171,397**	17,294
61 days to 180 days	**6,068**	3,948
181 days to 365 days	**147**	–
	177,612	21,242

As at 31 December 2017, trade receivables of approximately RMB10,120,000 (31 December 2016: approximately RMB3,274,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Within 60 days	**9,230**	2,886
61 days to 180 days	**890**	388
	10,120	3,274

As at 31 December 2017, trade receivables of approximately RMB1,273,000 (31 December 2016: approximately RMB4,050,000) were fully impaired. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. The Group's policy on allowance for doubtful debts is based on the evaluation of collectability, ageing of accounts and on management's judgment including credit worthiness and past collection history of each customer.

(b) Movements in the allowance for doubtful debts are as follows:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Balance at the beginning of the year	**4,050**	3,777
Impairment losses recognised	**130**	123
Amounts written off as uncollectible	**(1,205)**	–
Amounts recovered during the year	**(1,595)**	(41)
Currency translation differences	**(107)**	191
Balance at the end of the year	**1,273**	4,050

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

12 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Other receivables	**9,612**	2,118
Deductible input value-added tax	**3,175**	5,949
Amounts due from a related party	**2,549**	2,788
Prepayments	**1,125**	5,732
	16,461	16,587
Less: non-current portion of prepayments (a)	**(183)**	(5,159)
	16,278	11,428

(a) Non-current portion of prepayments represents the prepayments for the purchase of network equipment and intangible assets.

(b) Other receivables and prepayments are denominated in the following currencies:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
– RMB	**13,297**	13,059
– HK$	**3,094**	3,506
– EUR	**42**	–
– US$	**28**	22
	16,461	16,587

13 TRADE PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Trade payables	**65,661**	11,694

Trade payables were denominated in the following currencies:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
– RMB	**64,153**	7,814
– HK$	**1,235**	3,575
– US$	**273**	305
	65,661	11,694

The ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Within 60 days	**62,822**	11,602
61 days to 150 days	**2,371**	61
Over 150 days	**468**	31
	65,661	11,694

The average credit period on purchases 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.

14 OTHER PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Other payables (i)	**138,526**	52,884
Provisions for other taxes	**16,048**	6,412
Accrued expenses	**10,851**	9,680
Advance receipts	**5,163**	5,789
	170,588	74,765

(i) Majority of other payables represented the proceeds received by the Group on behalf of the household products suppliers and building furnishing materials suppliers.

Other payables were denominated in the following currencies:

	31 December 2017	31 December 2016 (Restated)
	RMB'000	*RMB'000*
– RMB	**165,127**	66,396
– HK$	**4,977**	7,616
– US$	**484**	753
	170,588	74,765

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The Group recorded a profit attributable to owners of the Company of approximately RMB96.2 million for the year ended 31 December 2017, which was increased by approximately RMB91.9 million as compared to a profit of approximately RMB4.3 million for the year ended 31 December 2016. The profit was mainly due to the following factors:

(i) a continuous growth in the internet community services business segment, which contributed a segment profit of approximately RMB124.9 million for the year ended 31 December 2017 as compared with a segment profit of approximately RMB7.1 million for the year ended 31 December 2016; and

(ii) a gain of approximately RMB10.8 million in fair value change of equity investments was recorded for the year ended 31 December 2017 as compared with a gain of approximately RMB1.0 million was recorded for the year ended 31 December 2016.

The basic and diluted earnings per share were RMB0.1185 cents and RMB0.1172 cents for the year ended 31 December 2017 respectively, as compared to the basic and diluted loss per share of RMB0.0053 cents and RMB0.0051 cents for the year ended 31 December 2016 respectively.

Internet Community Services

During the year ended 31 December 2017, the Group conducted its internet community services business in the communities across China, and its turnover increased from approximately RMB31.8 million for the year ended 31 December 2016 to approximately RMB193.0 million for the year ended 31 December 2017, including revenue from internet home furnishing sector of approximately RMB145.8 million, revenue from newly developed internet materials logistics business sector of approximately RMB36.7 million, revenue from smart community sector of approximately RMB10.4 million and revenue from other sectors of approximately RMB0.1 million.

Cost of internet community services business represented mainly labour costs and depreciation of network equipment. Gross profit margin of such segment was approximately 81.0%. After deducting distribution cost and administrative expense of approximately RMB31.4 million, the segment recorded profit of approximately RMB124.9 million.

(I) Market Overview

In 2017, China's GDP grew by 6.9%, and its economic growth showed a trend of continued improvement. At the same time, the 19th National Congress of the Communist Party of China put forward the objective of building China's strengths in cyberspace, developing digital China and a smart society, developing digital and sharing economies fostering new growth areas and drivers of growth.

The rapid growth of the PRC economy and favourable policies have provided a favourable environment for the development of the Group, and the strong support from the two substantial shareholders of the Company also continued to facilitate its development.

China Evergrande Group ("**China Evergrande**"), as one of the Fortune 500 enterprises and a leading property developer in the PRC, continues to develop affordable properties by adopting a strategy of delivering high-quality properties. It has over 800 projects in more than 280 cities across the PRC and has established an industry presence of "property + services". Tencent Holdings Limited ("**Tencent Holdings**"), as one of the leading internet value-added service providers in the PRC, had a total of over 1.8 billion monthly live accounts in Weixin, Wechat and QQ as at the end of the third quarter of 2017, which has profoundly affected and changed the communication method and living habits of billions of internet users and created broad prospects for the PRC internet industry.

Under the environment of rapid growth of the Chinese economy and favourable policies and the strong support from two substantial shareholders of the Company, the Group continued to develop as an integrated internet service operator using the platform operation thinking and the light asset operation model in 2017.

(II) Business Development

The Group's products and service system continued to be optimised. In 2017, the Group continued to consolidate high-quality resources within the industry, and strived to create a smart and convenient community life experience for community property owners, to build an open and sharing model for enterprise customers, making a mutual beneficial and win-win situation and to provide consumers with cost-effective products and services.

The Group's operation capability continued to be enhanced. Relying on its extensive community resources, the Group cultivated targeted community user base and deeply explored the values of community scenes. As a result of its flexible and effective operational strategies, the Group realised rapid growth of results in 2017. During the reporting period, the Group recorded revenue of RMB261.75 million, representing a year-on-year growth of 131%.

Business presence continued to expand. With the brand recognition of China Evergrande (HK.3333) and Tencent Holdings (HK.0700), being two of its substantial shareholders, the Group further consolidated its supplier resources and strengthened its efforts to develop the internet materials logistics business in 2017. As a result, it has established a brand new business structure comprising three core elements, being internet community services, internet home furnishing and internet materials logistics.

In 2017, HengTen Networks maintained steady operation. With serving users and supporting industry development as the core principles, it continued to provide community property owners, enterprise customers and consumers with competitive multi-scene solutions, products and services, built a new business form for the post-development property service market, and continued to cultivate an open, sharing, interactive and coordinated internet service ecosystem.

I. Internet Community Services

As previously stated in China's New Urbanization Plan 2014-2020, during the 13th five-year period, China will launch 100 new pilots for "smart city", and the Group's internet community services with smart community as the core is an integral part of smart city. In 2017, the Group deeply explored the community scenes. Relying on HengTen Mimi, being its independently developed one-stop internet community service platform, it continued to provide property, community e-commerce and other services with higher quality.

As at the end of 2017, the Group operated its basic property services at 41 communities in Guangzhou, Chengdu, Shenyang, Shijiazhuang, Jinan and Luoyang, and its community e-commerce services had been expanded to over 130 cities.

1. Property Services

For the HengTen Mimi App which serves property owners, the Group optimised its basic services such as community broadcasting, property service fee payment, property repair request, owners' voices, mobile door opening, smart cat eye and Mimi carparking, and improved smart express cabinets, convenience information, community activities and other life services in 2017.

For the Mimi Housekeeper App which serves property management companies, the Group optimised its basic functions including repair management, affair management, broadcasting management, payment record search and convenient information, and added functions such as property work order coordination and staff work desk. The Group reshaped user experience while deeply exploring property values, in order to enable closer interaction between the platform operator and property managers and motivate the property companies in community operation.

2. Community E-commerce

The Group has extensive community resources and targeted property owner bases and has won the trust of property owners in the communities for its property services. In 2017, the Group mainly explored two models, including community group purchase and community market. For community group purchase, the Group mainly obtains favourable prices through its supplier resources in order to quickly meet the consumption needs of property owners through online-targeted operation. For community market, the Group mainly introduced the online platform through scene marketing at offline communities, while exploring the potential consumption needs of community property owners by creating scene experiences.

II. Internet Home Furnishing

According to the National Bureau of Statistics of the PRC, per capita disposable income of China was RMB25,974 in 2017, representing an increase of 7.3% as compared to 2016. On the other hand, the percentage of consumers in the new generation (aged 18-35) to the urban population aged 15-70 in the PRC continued to increase, who have a growing acceptance of the internet home furnishing business.

With a good environment for consumption and effective operation methods, for the year ended 31 December 2017, the Group operated internet home furnishing business at nearly 250 projects in more than 130 cities across China, serving over 50,000 property owners and recording a revenue of RMB145.82 million during the year.

1. Online and offline business models became more mature

The Group maintains the operating model of "light assets and heavy focus on experiences". Through continuous upgrading and reform, the O2O business model of the internet home furnishing business, "display on online shopping mall platform and experience at offline physical scenes" is already very mature. The Group opened a total of nearly 2,000 offline experience sample rooms in 2017.

Besides, with an effective online and offline marketing system, the Group's internet home furnishing business continued to receive effective traffic, with an improving traffic conversion rate and continuous declining customer acquisition cost. It has successfully realized standardized and large-scale operation.

2. **Products and service were fully optimised**

The Group's product series were further diversified. Based on big data and consumption insight, the Group portrayed a typical home user from multiple dimensions including age, academic background, family and consumption budgets to match and adapt to the property types and users' habits and provide customised one-stop home solutions including customised furniture, home appliances, balcony fabrics and ornament furnishings. In 2017, the Group started to provide home furnishing, decoration and kitchen supplies to meet the personalized, customised and diversified needs of community property owners.

Products and service system continued to be optimised. On the one hand, the Group continued to improve the user experience in home marketing, logistics and distribution, installation and aftersales and to build a standardized service process centering around users. On the other hand, the Group strived to minimize intermediary links and eliminate the obstacles between the needs of property owners and product design, manufacturing and services in order to improve service efficiency.

Brand influence gradually improved. With consumption upgrading and the rise of new consumption concepts, the Group improved the geographical coverage and degree of its brand influence through multiple channels in 2017. Besides, the Group continued to introduce top-class home brands. By the end of 2017, the number of brand members of the "Home Alliance" increased to 27. It also further improved its production design and research and development capability to meet the personalized needs of users.

Management of partners was further improved. The Group assesses partners from multiple perspectives and strengthens control and protection. It has developed a sound partner rating system, and partners with higher ratings will enjoy the rights of project matching and work orders in priority.

3. **Pilot exploration of external expansion**

In 2017, HengTen Networks also sought new growth drivers for its home business, explored its expansion into the communities other than those of China Evergrande, and conducted business pilots in several cities.

III. Internet Materials Logistics

According to the data provided by China Building Decoration Association, the size of the PRC home construction materials market reached RMB4.23 trillion in 2016, of which the size of the residential decoration market was RMB1.78 trillion. Since 2016, local governments across the PRC have successively promulgated the policies and regulations for high-quality decoration, and the delivery of "rough house" will gradually exit from the property market. The Company anticipates that the demand of small- and medium-sized property developers for high-quality decoration will further increase.

The current situations of the construction materials market call for the consolidation of resources by industry giants. The Group launched the internet materials logistics business in the second half of 2017 and entered into strategic cooperation agreements with hundreds of suppliers and selected over 3,000 products to solve the acute problems in the construction material industry including product homogenization and widening gap of information asymmetry. For the four months since its launch, the internet materials logistics business has recorded revenue of RMB36.67 million.

1. Consolidation of high-quality resources in the construction materials industry

China Evergrande, as one of the two substantial shareholders of HengTen Networks, is a pioneer for delivery of properties with complete and high-quality decoration in the PRC and an industry benchmark for standardized high-quality decoration operation. It has widespread presence in the PRC and makes annual procurement amounting to over RMB20 billion.

On the one hand, the Group maximized its use of extensive resources of China Evergrande including over 20 strategic partners for high-quality decoration and more than 200 material suppliers in the PRC. On the other hand, the Group utilized the experience of China Evergrande in the management and implementation of high-quality decorations for 10 years, including a national quality inspection system and a strict technical standard management system and a dynamic supplier assessment and management system.

2. Establishment of a one-stop-shop construction material procurement and supply platform

The Group is committed to building a one-stop-shop construction materials procurement and supply platform with comprehensive functions, complete services and diversified product offering for small- and medium-sized property developers, decoration enterprises and home decoration companies. It aims to become the most competitive high-quality construction material supply chain service provider in the PRC.

Relying on advanced internet technology, the Group has realized a one-stop integration of online model selection, order placement and payment, customer services consultation, order track, coordinated settlement and after-sales services, and built a transparent, safe and efficient transaction environment, which has effectively solved the acute problems in the industry of having too many links in the currently extensive supply system and waste of resources.

With the construction material procurement and supply platform established by the Group, small- and medium-sized procurement enterprises may get rid of the problems relating to traditional procurement methods such as single supply channel, opaque links, great management difficulties and exorbitant cost, and realize the objective of controlling risks, improving management and lowering costs and enjoy the benefits from resources consolidation.

3. Provision of highly competitive construction material products

With its extensive construction material supplier resources and China Evergrande's advantage in centralized procurement in the amount of dozens of billions of Renminbi each year, the Group can provide highly competitive construction material products.

In terms of price advantage, the Group has significantly lowered its comprehensive procurement cost and reduced the impacts of the changes in business environment on prices through centralized procurement, which not only can help procurement enterprises control procurement risks and improve procurement management but also can lower the market development cost of suppliers and expand the size of supplier transactions.

In terms of product offering, the Group's products cover all types of products for high-quality decoration and can meet various and customised needs of enterprises.

In terms of product quality assurance, the Group selects construction material suppliers with strong qualifications and good reputation, which has ensured both the reliability and stability of the product quality.

Manufacture and sales of accessories

The segment's turnover decreased from approximately RMB79.0 million for the year ended 31 December 2016 to approximately RMB66.7 million for the year ended 31 December 2017, representing a decrease of approximately 15.6%. It was mainly due to a decrease in demand in photographic market. Also, one of our domestic appliance customers was shifting to new product lines and no longer placed any order for the old product line, which is the second major impact on turnover.

The segment maintained the gross profit margin of approximately 36.0% for the year ended 31 December 2017 as compared with the gross profit margin of approximately 36.9% for the year ended 31 December 2016. In addition, with the reversal of the provisions, the segment profit increased from approximately RMB1.7 million for the year ended 31 December 2016 to approximately RMB3.0 million for the year ended 31 December 2017.

Investments

The segment profit increased from approximately RMB3.6 million for the year ended 31 December 2016 to approximately RMB14.7 million for the year ended 31 December 2017. The profit for the year ended 31 December 2017 was mainly attributable to a net unrealised gain from fair value change in held-for-trading investments in securities of approximately RMB10.8 million and dividend income generated from held-for-trading investments in securities and available-for-sale financial assets of approximately RMB2.0 million and RMB1.9 million, respectively.

Details of significant investment in the shares of other listed companies held by the Group as at 31 December 2017 are as follows:

Stock Code	Stock Abbreviation	Fair Value as at 31 December 2016 (Restated) *RMB'000*	Number of shares held	Fair Value as at 31 December 2017 *RMB'000*	Gains during the year ended 31 December 2017 *RMB'000*	Accounting Items
939	CCB	10,661	2,000,000	12,000	2,139	Financial assets at fair value through profit or loss
2800	TRACKER FUND	19,732	1,000,000	25,042	6,913	Financial assets at fair value through profit or loss
3988	BANK OF CHINA	15,357	5,000,000	16,000	1,739	Financial assets at fair value through profit or loss
Total		45,750		53,042	10,791	

Note: "Gains during the year ended 31 December 2017" in the above table refers to the impact of related securities investment on net change in the fair value of the financial assets at fair value through profit or loss in the consolidated statement of comprehensive income of the Group during the year ended 31 December 2017.

Loan financing

During the year ended 31 December 2017, no new loan was granted and therefore no interest income was generated for this segment (year ended 31 December 2016: nil).

Property investment

During the year ended 31 December 2017, no rental income was generated.

With the increase in fair value of investment properties as at 31 December 2017 as compared to 31 December 2016, a fair value gain of approximately RMB0.2 million was recognised during the year ended 31 December 2017. The increase in fair value was mainly due to the increase in the market price of the investment properties.

PROSPECTS

Internet Community Services

In the future, HengTen Networks will maintain its momentum of steady operation, facilitate the continuous expansion of internet community services, promote the in-depth development of the internet home furnishing business, strengthen its efforts in establishing wide presence of its internet material logistics business, and realize the coordinated progress and development of its three core business activities.

1. Internet Community Services

In 2018, the Group will continue to rely on China Evergrande's community resources and adopt an operation strategy of in-depth development in certain areas and orderly and steady expansion to improve its property management services and the satisfaction of property owners. Besides, the Group will review and cut out superfluous value-added community services and conduct in-depth exploration of selected business in order to maximize cost effectiveness.

2. Internet Home Furnishing

Relying on its mature home operation and service system, the Group plans to expand its service offerings in 2018 and provide internet home furnishing business in over 300 communities across China. In addition, through big data analysis, the number of targeted customers of the Group will be expanded to 270,000, and the size of its internet home furnishing business will grow significantly. Furthermore, the Group will continue to carry out refined operation of its property delivery scenes, and a professional operation management team and a service team with national coverage will provide strong support to the implementation of the internet home furnishing business of the Group.

Improve the house product system – In 2018, the Group plans to introduce national suppliers of home appliances and balcony decorations and regional suppliers of curtains and ornaments. It will continue to expand the scope of partner brands for the "Home Alliance", strengthen its resource consolidation and control ability, and provide more one-stop-shop home solutions.

Enhance comprehensive services – With expanding business scope and deeper business scenes, the Group will further improve data collection, strengthen information review and analysis, eliminate the barriers between business links and meet more precise user needs.

Facilitate rapid project expansion – The Group will consolidate its advantageous resources to provide products, services and brands, continue to explore more home furnishing business scenes and further improve its market share. In the meantime, the Group will strengthen the assessment of external suppliers in terms of various factors including qualifications, product aftersales services, sales ability and market influence, and establish a sound external supplier database.

3. Internet Materials Logistics

In 2018, the Group will introduce 200 construction material brands to the high-quality decoration market for small- and medium-sized property developers and the home decoration market. The Group will further consolidate high-quality resources in the construction materials industry, form a strategic alliance of construction materials brands with strong industry influence and achieve the objective that the SKU number of construction material products exceeds 10,000.

The Group will continue to improve the functions and services of its construction material procurement platform and build a one-stop-shop construction material procurement platform with even higher quality. It also plans to introduce third-party financial services to provide financial support to procurement enterprises. In the meantime, the Group will establish a strong sales network and construct modern warehousing and logistics centres in five major areas in the PRC, being South China, East China, North China, Central China and Southwest China, to facilitate steady supply and fast delivery of construction materials products across China.

Manufacturing and sales of accessories

The Group expects that its manufacture and sales of photographic accessories will encounter sluggish market demand and keen competition from its competitors. In this regard, the Group will continuously control its costs, strengthen customer relationship, broaden customer base, develop products to suit customer needs in action camera, monitor its level of indebtedness and funding requirements. Overall speaking, the Group expects the performance of this segment to remain stable in the year ahead but the gross profit margin to decrease due to a fierce business environment. Moreover, the Group will closely monitor and capture any opportunity to improve this segment's position, both financially and operationally.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the year ended 31 December 2017, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 December 2017, the Group maintained cash and bank balance of approximately RMB901.2 million (as at 31 December 2016: approximately RMB836.2 million). The increase in cash and bank balance was mainly due to the advanced receipt from the provision of the "new properties with move-in condition" service in the internet community services segment.

Capital Resources

Exercise of the bonus warrants during the year ended 31 December 2017

The bonus warrants issued to the then shareholders of the Company on the basis of one warrant (the "**Existing Warrants**") 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. The subscription price was adjusted to HK$0.2 per new share upon the share consolidation of the Company becoming effective on 27 October 2015 (the "Share Consolidation"). During the year ended 31 December 2017, 12,135,640 new shares had been issued and allotted upon exercise of HK$2,427,128 Existing Warrants (adjusted with Share Consolidation) with net proceeds of approximately HK$2.4 million (approximately RMB2.1 million), which have been used as general working capital. The subscription rights attaching to the Existing Warrants expired at 4:00 p.m. on 23 February 2017.

Borrowings and Gearing Ratio

As at 31 December 2017, the Group's net equity amounted to approximately RMB881.1 million (as at 31 December 2016: approximately RMB833.3 million) with total assets amounted to approximately RMB1,205.8 million (as at 31 December 2016: approximately RMB982.9 million). Net current assets were approximately RMB882.0 million (as at 31 December 2016: approximately RMB824.5 million) and the current ratio was 4.3 times (as at 31 December 2016: 9.9 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings plus obligations under finance lease) over shareholders' funds was 5.77% (as at 31 December 2016: 6.54%).

CHARGE OF ASSETS

As at 31 December 2017, margin facilities of approximately RMB20.3 million (as at 31 December 2016: approximately RMB17.9 million) from one regulated securities broker were granted to the Group under which financial assets at fair value through profit or loss of approximately RMB53.0 million (as at 31 December 2016: approximately RMB45.8 million) were treated as collateral for the facilities granted.

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("**RMB**") as at 31 December 2017. The internet community service business is mainly carried out in RMB in the PRC. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the year ended 31 December 2017, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

COMMITMENT

As at 31 December 2017, the Group has capital commitment of approximately RMB3,108,000 mainly for the system development and purchase of technology equipment in relation to the internet community services online platform (as at 31 December 2016: approximately RMB3,790,000).

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 31 December 2017 (as at 31 December 2016: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed approximately 386 employees. 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 year ended 31 December 2017, including directors' emoluments, amounted to approximately RMB61.6 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (year ended 31 December 2016: nil).

REVIEW OF RESULTS

The Audit Committee of the Company consists of three of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan. The Audit Committee assists the Board in, among others, providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2017.

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2017 by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2017, there was no material acquisition and disposal.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Save for the Existing Warrants, the subscription rights attaching to which expired at 4:00 p.m. on 23 February 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") during the year ended 31 December 2017 except for the following deviation from the Code provision:

- 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 year ended 31 December 2017, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 year ended 31 December 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

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

2018 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's 2018 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

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.

By order of the Board
HengTen Networks Group Limited
Xu Wen
Chairman

Hong Kong, 22 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Xu Wen, 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, Mr. Chen Haiquan and Professor Shi Zhuomin.