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 2019

FINANCIAL HIGHLIGHTS

	2019
	RMB'000
Revenue	**337,300**
Gross profit	**202,390**
Gross profit margin	**60.0%**
Net profit	**92,073**
Net profit margin	**27.3%**
Basic earnings per share	**RMB0.1118 fen**
Diluted earnings per share	**RMB0.1118 fen**

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of HengTen Networks Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**337,300**	499,419
Cost of sales	*4*	**(134,910)**	(141,788)
Gross profit		**202,390**	357,631
Selling and marketing costs	*4*	**(72,771)**	(93,913)
Administrative expenses	*4*	**(72,935)**	(116,857)
Net reversal of impairment losses on financial assets		**1,641**	(6,661)
Other income	*5*	**10,324**	9,453
Other expenses	*6*	**(3,489)**	(8,580)
Other gains/(losses) — net	*7*	**21,115**	(6,413)
Operating profit		**86,275**	134,660
Finance costs	*8*	**(3,804)**	(2,544)
Finance income	*8*	**26,643**	14,001
Finance income — net	*8*	**22,839**	11,457
Profit before income tax		**109,114**	146,117
Income tax expenses	*9*	**(17,041)**	(20,861)
Profit for the year		**92,073**	125,256

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**42**	(56)
Currency translation difference		**10,366**	36,386
Other comprehensive income for the year, net of tax		**10,408**	36,330
Total comprehensive income for the year		**102,481**	161,586
Profit attributable to:			
Owners of the Company		**90,065**	124,496
Non-controlling interests		**2,008**	760
		92,073	125,256
Total comprehensive income attributable to:			
Owners of the Company		**100,473**	160,826
Non-controlling interests		**2,008**	760
		102,481	161,586
Earnings per share for profit attributable to the owners of the Company for the year:	*10*		
(expressed in RMB cents per share)			
Basic earnings per share		**0.1118**	0.1545
Diluted earnings per share		**0.1118**	0.1499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**17,457**	15,384
Lease receivables	*2*	**3,411**	—
Right-of-use assets	*2*	**16,364**	—
Intangible assets	*11*	**2,929**	6,777
Investment properties		**—**	15,800
Financial assets at fair value through other comprehensive income		**631**	589
Prepayments	*12*	**104**	166
Deferred tax assets		**7,295**	20,195
		48,191	58,911
Current assets			
Inventories		**30,317**	43,119
Other current assets	*12*	**35,401**	11,275
Trade and other receivables	*13*	**107,284**	91,439
Financial assets at fair value through profit or loss		**3,311**	—
Cash and cash equivalents		**1,313,301**	1,227,239
		1,489,614	1,373,072
Total assets		**1,537,805**	1,431,983
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*14*	**150,172**	150,172
Share premium	*14*	**4,454,940**	4,454,940
Other reserves		**80,890**	63,598
Accumulated losses		**(3,544,451)**	(3,627,632)
		1,141,551	1,041,078
Non-controlling interests		**—**	1,563
Total equity		**1,141,551**	1,042,641

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities	*2*	**6,654**	—
Borrowings		**—**	52,632
Obligations under finance leases		**—**	115
Deferred tax liabilities		**—**	3,657
		6,654	56,404
Current liabilities			
Lease liabilities	*2*	**13,471**	—
Contract liabilities	*3*	**18,143**	51,323
Borrowings		**53,571**	—
Obligations under finance leases		**—**	370
Trade payables	*15*	**15,554**	24,665
Other payables	*16*	**284,229**	211,582
Current income tax liabilities		**4,632**	44,998
		389,600	332,938
Total liabilities		**396,254**	389,342
Total equity and liabilities		**1,537,805**	1,431,983

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 disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income, 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 judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRS Standards 2015–2017 Cycle	

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to 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. 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.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	48,292
Discounted using the lessee's incremental borrowing rate of the date of initial application	46,163
Add: finance lease liabilities recognised as at 31 December 2018	485
Less: short-term leases recognised on a straight-line basis as expense	(1,427)
Less: contracts reassessed as service agreements	(16,342)
Lease liability recognised as at 1 January 2019	28,879
Of which are:	
Current lease liabilities	11,400
Non-current lease liabilities	17,479

(c) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There was a sub-lease classified as a finance lease as it transferred substantially all of the risks and rewards incidental to ownership of the right-of-use asset, and an adjustment was required to the right-of-use assets at the date of initial application.

The recognised right-of-use assets mainly relate to the following types of assets:

	31 December 2019	1 January 2019
	RMB'000	*RMB'000*
Warehouses	**10,970**	19,150
Plant and equipments	**5,394**	4,402
Total right-of-use assets	**16,364**	23,552

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment — decrease by RMB748,000
- right-of-use assets — increase by RMB23,552,000
- lease receivables — increase by RMB5,590,000
- lease liabilities — increase by RMB28,879,000
- obligations under finance lease — decrease by RMB485,000

There is no impact on the retained earnings on 1 January 2019.

The net profit after tax of the Group decreased by RMB214,000 for the year ended 31 December 2019 as a result of adoption of HKFRS 16.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

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 three business segments: internet community and related businesses, property investment and other 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, other gains and finance income — net are not included in the results for each operating segment.

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2019 are as follows:

	Internet community and related businesses *RMB'000*	**Manufacture and sales of accessories** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**278,269**	**59,031**	**337,300**
Timing of revenue recognition			
At a point	**59,502**	**59,031**	**118,533**
Over time	**218,767**	**—**	**218,767**
	278,269	**59,031**	**337,300**
Segment profit/(loss)	**84,925**	**1,816**	**86,741**
Unallocated corporate expenses			**(8,169)**
Unallocated other income			**44**
Unallocated other gains			**20,649**
Unallocated finance income — net			**9,849**
Profit before income tax			**109,114**
Depreciation	**19,692**	**1,592**	**21,284**
Amortisation	**3,848**	**—**	**3,848**

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2018 are as follows:

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	425,834	—	73,585	499,419
Timing of revenue recognition				
At a point	42,113	—	73,585	115,698
Over time	383,721	—	—	383,721
Dividend income from financial assets at FVOCI *(Note 5)*	—	51	—	51
Dividend income from financial assets at FVPL *(Note 5)*	—	1,434	—	1,434
Net change in fair value of financial assets at FVPL	—	(7,361)	—	(7,361)
	425,834	(5,876)	73,585	493,543
Segment profit/(loss)	153,996	(6,902)	6,558	153,652
Unallocated corporate expenses				(7,436)
Unallocated other losses				(8)
Unallocated finance costs — net				(91)
Profit before income tax				146,117
Depreciation	15,434	1	771	16,206
Amortisation	4,372	—	85	4,457

(c) Segment assets and liabilities

Segment assets and liabilities as at 31 December 2019 are as follows:

	Internet community and related businesses *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
ASSETS			
Segment assets	**159,564**	**18,117**	**177,681**
Unallocated other receivables and prepayments			**33,615**
Unallocated right-of-use assets			**1,971**
Financial assets at fair value through other comprehensive income			**631**
Financial assets at fair value through profit or loss			**3,311**
Deferred tax assets			**7,295**
Cash and cash equivalents			**1,313,301**
Consolidated total assets			**1,537,805**
LIABILITIES			
Segment liabilities	**321,066**	**10,199**	**331,265**
Unallocated other payables			**4,796**
Unallocated borrowings			**53,571**
Unallocated lease liabilities			**1,990**
Current income tax liabilities			**4,632**
Consolidated total liabilities			**396,254**

Segment assets and liabilities as at 31 December 2018 are as follows:

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
ASSETS				
Segment assets	147,831	16,389	17,555	181,775
Unallocated other receivables and prepayments				2,774
Deferred tax assets				20,195
Cash and cash equivalents				1,227,239
Consolidated total assets				1,431,983
LIABILITIES				
Segment liabilities	271,862	—	12,616	284,478
Unallocated other payables				3,577
Unallocated borrowings				52,632
Current income tax liabilities				44,998
Deferred tax liabilities				3,657
Consolidated total liabilities				389,342

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.

(d) Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2019 and 2018.

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 provision of services by geographical location is detailed below:

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
PRC	**287,160**	434,587
Europe	**19,386**	23,780
Hong Kong	**21,779**	31,533
Others	**8,975**	9,519
	337,300	499,419

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

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Net basis		
— Provision of internet community services	**218,767**	383,721
Gross basis		
— Sales of goods	**118,533**	115,698
	337,300	499,419

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
PRC	**34,559**	36,511
Hong Kong	**5,706**	1,616
	40,265	38,127

(e) Liabilities related to contracts with customers

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Contract liabilities — Internet community and related businesses	**18,143**	51,323

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the period — Internet community and related businesses	**51,323**	5,163

Unsatisfied performance obligations

For the Group, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

4 EXPENSES BY NATURE

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

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Cost of inventories sold	**87,752**	87,376
Staff costs	**108,736**	172,877
Rental expense	**4,662**	16,126
Depreciation of property, plant and equipment	**11,815**	16,206
Depreciation of right-of-use assets	**9,988**	—
Amortisation of intangible assets *(Note 11)*	**3,848**	4,372
Materials used in research and development activities	**4,861**	8,132
Advertising and promotion costs	**8,212**	9,316
Travelling expense	**6,936**	6,777
Legal and professional fees	**3,622**	2,400
Auditors' remunerations		
— Audit services (a)	**2,600**	2,500
— Non-audit services	**900**	900
Reversal of provisions and other payables (b)	**(5,337)**	(6,976)
Write-down of inventories	**4,249**	4,903

(a) The remuneration paid and payable to the auditor of the Company amounted to approximately RMB2,600,000. Others were paid to other auditors for audit services rendered to the subsidiaries of the Company.

(b) During the year ended 31 December 2019, the Group assessed on the provisions for other taxes and surcharges. Management considered provisions of approximately RMB5,337,000 (for the year ended 31 December 2018: approximately RMB6,976,000) were not necessary and determined to reverse the provisions during the year.

5 OTHER INCOME

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Income from network equipment usage and maintenance service	**7,327**	7,123
Subleasing income	**2,125**	—
Dividend income from financial assets at FVOCI	**44**	51
Dividend income from financial assets at FVPL	**—**	1,434
Sundry income	**828**	845
	10,324	9,453

6 OTHER EXPENSES

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Subleasing expenses	**1,774**	—
Cost of network equipment usage and maintenance service	**1,715**	6,860
Sundry losses	**—**	1,720
	3,489	8,580

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Net gains on disposal of subsidiaries	**20,802**	—
Net gains/(losses) on disposal of property, plant and equipment	**16**	(1)
Net change in fair value of financial assets at FVPL	**(149)**	(7,361)
Fair value gains on investment properties	**—**	200
Sundry gains	**446**	749
	21,115	(6,413)

8 FINANCE INCOME — NET

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Finance costs:		
— Interests expenses on borrowings	**(2,632)**	(2,521)
— Interests expenses on lease liabilities	**(1,172)**	—
— Interests expenses on obligations under finance leases	**—**	(23)
	(3,804)	(2,544)
Finance income:		
— Interest income on saving deposits	**26,643**	14,001
Finance income — net	**22,839**	11,457

9 INCOME TAX EXPENSES

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Current income tax		
— Provision for the year	**(8,121)**	(45,018)
— Adjustments for current tax of prior years	**3,980**	4,839
Total current tax expense	**(4,141)**	(40,179)
Deferred income tax	**(12,900)**	19,318
Income tax expenses	**(17,041)**	(20,861)

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 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Profit before income tax	**109,114**	146,117
Tax calculated at the tax rates applicable to profits/(losses) in the respective jurisdictions	**20,725**	23,982
Adjustments for current tax of prior years	**(3,980)**	(4,839)
Adjustments for previously recognised tax losses and timing differences	**(7,569)**	—
Income not subject to tax	**(4,930)**	(515)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**13,613**	2,771
Reversal of provisions and other payables not subject to tax	**(1,343)**	(1,924)
Expenses not deductible for tax purposes	**721**	1,117
Utilisation of tax losses previously not recognised	**(196)**	—
Effect of change in the tax rate	**—**	269
	17,041	20,861

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 2019 (year ended 31 December 2018: 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%, except for a subsidiary of the Group which is entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2019 (for the year ended 31 December 2018: 15%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

10 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 2019	Year ended 31 December 2018
Profit attributable to owners of the Company (RMB'000)	**90,065**	124,496
Weighted average number of ordinary shares in issue (thousands)	**80,571,604**	80,571,604
Basic earnings per share (RMB cents per share) for the year	**0.1118**	0.1545

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the years ended 31 December 2019 and 2018 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 2019	Year ended 31 December 2018
Profit attributable to owners of the Company (RMB'000)	**90,065**	124,496
Weighted average number of ordinary shares in issue (thousands)	**80,571,604**	80,571,604
Adjustments for:		
— Share warrants (thousands)	**—**	2,468,567
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**80,571,604**	83,040,171
Diluted earnings per share (RMB cents per share) for the year	**0.1118**	0.1499

The computation of diluted earnings per share does not assume the exercise of the Company's share warrants since the exercise price is higher than the average market price of the shares during the year ended 31 December 2019.

11 INTANGIBLE ASSETS

	Acquired internet platform *RMB'000*	Capitalised development costs *RMB'000*	Patent *RMB'000*	Total *RMB'000*
Year ended 31 December 2018				
Opening net book amount	1,538	6,905	—	8,443
Additions	38	—	2,668	2,706
Amortisation charge *(Note 4)*	(765)	(3,537)	(70)	(4,372)
Closing net book amount	811	3,368	2,598	6,777
At 31 December 2018				
Cost	2,278	10,610	2,668	15,556
Accumulated amortisation	(1,467)	(7,242)	(70)	(8,779)
Net book amount	811	3,368	2,598	6,777
Year ended 31 December 2019				
Opening net book amount	811	3,368	2,598	6,777
Amortisation charge *(Note 4)*	(634)	(2,947)	(267)	(3,848)
Closing net book amount	177	421	2,331	2,929
At 31 December 2019				
Cost	2,277	10,610	2,668	15,555
Accumulated amortisation	(2,100)	(10,189)	(337)	(12,626)
Net book amount	177	421	2,331	2,929

Amortisation of approximately RMB3,581,000 and RMB267,000 were included in "cost of sales" and "administrative expenses" (2018: approximately RMB4,302,000 and RMB70,000 were included in "cost of sales" and "administrative expenses") respectively in the consolidated statement of comprehensive income (Note 4).

12 OTHER CURRENT ASSETS

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Prepayments	**32,393**	8,536
Deductible input value-added tax	**3,112**	2,905
	35,505	11,441
Less non-current portion: prepayments (a)	**(104)**	(166)
Current portion	**35,401**	11,275

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

13 TRADE AND OTHER RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables — gross		
— Third parties	**60,264**	72,953
Less: allowance for doubtful debts	**(5,522)**	(7,934)
Trade receivables — net	**54,742**	65,019
Other receivables due from		
— Related parties	**6,806**	15,698
— Disposal of subsidiaries	**31,821**	—
— Other third parties	**13,915**	10,722
	107,284	91,439

(a) Trade and other receivables were denominated in the following currencies:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
— RMB	**73,492**	88,112
— HK$	**32,310**	2,866
— US$	**6,960**	8,347
— EUR	**44**	48
	112,806	99,373

(b) Trade receivables mainly arose from manufacture and sales of accessories and internet platform services. The Group allows an average credit period ranging from 60 to 150 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 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 60 days	**47,018**	23,207
61 days to 180 days	**1,363**	31,001
Over 181 days	**6,361**	10,811
	54,742	65,019

(c) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

14 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Share capital** *RMB'000*	**Share premium** *RMB'000*
Year ended 31 December 2018			
Balance at 1 January 2018 and 31 December 2018	74,611,669,087	150,172	4,454,940
Year ended 31 December 2019			
Balance at 1 January 2019 and 31 December 2019	74,611,669,087	150,172	4,454,940

15 TRADE PAYABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade payables	**15,554**	24,665

Trade payables were denominated in the following currencies:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
— RMB	**14,278**	24,521
— HK$	**1,244**	91
— US$	**32**	53
	15,554	24,665

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 60 days	**12,472**	16,123
61 days to 150 days	**1,993**	7,068
Over 151 days	**1,089**	1,474
	15,554	24,665

The average credit period on purchases of goods is 90 days.

16 OTHER PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Other payables (i)	**260,439**	196,537
Accrued expenses	**19,993**	12,856
Provisions for other taxes	**3,252**	1,668
Amount due to related parties	**545**	521
	284,229	211,582

(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 and accruals were denominated in the following currencies:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
— RMB	**280,101**	207,906
— HK$	**4,128**	3,632
— US$	**—**	44
	284,229	211,582

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance Summary

The Group recorded a profit attributable to owners of the Company of approximately RMB90.1 million for the year ended 31 December 2019, which decreased by approximately RMB34.4 million as compared to the profit attributable to owners of the Company of approximately RMB124.5 million for the year ended 31 December 2018. The decrease in the profit attributable to owners of the Company was mainly due to a decrease in profit in the internet community and related services business segment, which contributed to a segment profit of approximately RMB84.9 million for the year ended 31 December 2019 as compared to a segment profit of approximately RMB154.0 million for the year ended 31 December 2018.

The basic and diluted earnings per share were RMB0.1118 cents and RMB0.1118 cents for the year ended 31 December 2019 respectively as compared to the basic and diluted earnings per share of RMB0.1545 cents and RMB0.1499 cents for the year ended 31 December 2018.

Internet Community and Related Services

For the year ended 31 December 2019, the Group conducted its internet community and related services business in the communities across China, and its turnover decreased from RMB425.8 million for the year ended 31 December 2018 to RMB278.3 million for the year ended 31 December 2019, including revenue from internet home furnishing sector of RMB203.6 million, revenue from internet materials business sector of RMB72.1 million, and revenue from other sectors of RMB2.6 million.

The costs of internet community and related services business are mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin of such segment was approximately 65.6%. After deducting distribution costs and administrative expenses of approximately RMB97.7 million, the segment recorded a profit of approximately RMB84.9 million.

BUSINESS REVIEW

In 2019, the Group has adhered to the vision of platform operation to develop into an integrated internet service operator, took serving users as its core work and empowering the industry as its direction by fully capitalising on the resource advantages of its two largest shareholders, China Evergrande Group ("**China Evergrande**") (3333.HK) and Tencent Holdings Limited ("**Tencent Holdings**") (0700.HK). The long-term vision of the Group has driven the continuous optimisation of its business structure, and the Group has actively explored the optimisation and upgrading of its existing businesses. The Group has also coordinated and promoted the synergetic development of its three major businesses, namely internet home furnishing business, internet materials business and smart community services.

1. Internet Home Furnishing Business

With the support of the comprehensive online and offline marketing system, the Group's internet home furnishing business continuously realised scale development through standardised services. As at 31 December 2019, the Group has operated internet home furnishing business for 450 projects in 200 cities and provided furnishing design and sales proposals to more than 200,000 property owners in the community.

In 2019, while the Group was improving the functions and services of its online shopping mall, it has also set up more than 2,600 offline experience sample rooms in the community. The Group provided experiential, three-dimensional and scenario-based sample rooms, which were integrated with the localised and personalised home furnishing sales and designs proposals, enabling property owners in the community to truly "see what they are thinking and get what they are seeing" through reaching them precisely, and effectively achieving precision marketing through the process of perception, experience, interest to purchase brought by sample rooms.

The Group's internet home furnishing business effectively seized the consumption development trend in home furnishing categories and brands. On the one hand, the rise of new consumption philosophies led to increased consumer demand for sub-categorised goods, and the Group was able to meet the diverse and personalised needs of users with its internet home furnishing business which covers numerous categories, including customised furniture, complementary household electric appliances, balcony textile art products and soft decorations, decoration engineering and kitchen supplies. On the other hand, while consumers have higher demands for product quality and brand under the trend of upgrading spending patterns, the Group continued to deepen its cooperation with 25 leading brands in the "Home Furnishing Alliance", reinforcing brand awareness and enhancing brand recognition among consumers.

In 2019, the Group conducted comprehensive evaluation and analysis from multiple dimensions such as technical level, quality management, cost control, delivery and after-sales services, continued to improve the partner management system and constantly enhance management over suppliers, and persevered in making selections based on qualifications after strict assessment.

The Group also continued to optimise the customers' experience in home marketing, logistics and distribution, installation and after-sales services and to build a standardised service process. Based on observations of real consumption scenarios, the Group compiled user profiles from multiple dimensions such as age, education, family background and consumption budget, and promoted home furnishing designs and sales and services proposals while focusing on key factors such as layout, style and design. Evolved from meeting the basic needs of the mass, the Group was working towards the satisfaction of the demand for improvement and personalization of sub-groups.

In addition, the Group also continued to optimise the instalment payment service for home furnishing which effectively lowered the consumption threshold for property owners and assisted property owners in enjoying quality life in advance, meanwhile stimulating marketing growth.

2. Internet Materials Business

The internet materials business of the Group took full advantage of the mature supply chain system of high-quality decorations to effectively consolidate quality resources in the household building materials industry, endeavouring to build a leading platform of internet materials in the industry that covered building materials, furniture, customisation, home appliances and all categories of soft decorations. The Group achieved efficient synergy in the whole process of product design, production, procurement, sales and services, etc., resolved common issues in the householding building materials industry such as lack of transparency, low communication efficiency and high costs, and provided quality product and services to consumers, small and medium-sized properties and decoration companies.

In terms of prices, the Group significantly lowered its procurement cost by leveraging its strengths of economies of scale in centralised procurement and enjoyed obvious advantages in prices. In terms of categories, the Group prudently selected top household building material brands from the beginning, selected quality brands from the perspective of home aesthetics, and continued to improve product categories and specifications, gradually covering the main categories of building materials products widely used in the high-quality decoration industry and continuing to satisfy consumers' diverse and personalised demands. In terms of product quality, the Group built a sound quality management system that, on the basis of meeting current national and industry standards, consistently satisfied users' demands for higher standards and achieved dynamic development of the quality management system. In terms of distribution and delivery, the Group built five major stocking and warehousing centres.

In 2019, the Group continued to develop quality city operators in the country, which were responsible for setting up showrooms and building warehouses. In reliance on the Group's internet materials platform, city operators sold household building materials to small and medium-sized properties and decoration companies, and provided marketing, warehousing, distribution, installation and after-sales services, etc.

At the same time, the Group's internet materials platform also provided one-stop household building material services to end consumers. By building an online one-stop household building shopping mall and an offline flagship store which offers immersive experience, the Group gradually achieved effective integration of the low-frequency home furnishing consumption scenarios into high-frequency retail scenarios. In the second half of 2019, the Group opened two high-standard offline flagship stores in Hankou, Wuhan and Santai, Mianyang. Further, the Group adopted experiential marketing as its main marketing strategy, based on the foundation of a great volume of real households and product libraries, the Group provided design proposals for whole house and provided free, professional and efficient design services to create an immersive experience with real effect for users, in the meantime of enhancing consumer experience of the users, facilitated marketing growths.

3. Smart Community Services

In 2019, the Group continued to leverage on its smart community services platform, HengTen Mimi, to support communities by its property services platform, providing support in relation to property fee payment, event reporting, repair reporting and community intelligentisation.

Investments

During the year ended 31 December 2019, investments made by the Company are set out below:

Stock code	Stock Abbreviation	Fair value as at the date of acquisition	Number of share being held	Fair value as at 31 December 2019	Net change in fair value for the year ended 31 December 2019	Accounting item
		RMB'000		*RMB'000*	*RMB'000*	
01640	Ruicheng China	2,345	1,000,000	2,143	(202)	Financial asset at fair value through profit or loss
01725	Eternity Tech	1,115	600,000	1,168	53	Financial asset at fair value through profit or loss
		3,460		3,311	(149)	

Loan financing

During the year ended 31 December 2019, no new loan was granted and therefore no interest income was generated from this segment (the year ended 31 December 2018: nil).

Property investment

During the year ended 31 December 2019, the Company has disposed of all investment properties (the year ended 31 December 2018: no rental income).

Manufacture and sale of accessories

The segment's turnover decreased from approximately RMB73.6 million for the year ended 31 December 2018 to approximately RMB59.0 million for the year ended 31 December 2019, representing a decrease of approximately 19.8%.

The gross profit margin recorded approximately 33.8% for the year ended 31 December 2019, with a slight increase of approximately 1.7 percentage points on average as compared to the gross profit margin for the year ended 31 December 2018.

BUSINESS OUTLOOK

Looking forward, the Group will continue to adapt to new trends, adopt new technologies, deepen new channels, effectively address the needs and issues for industry development, cultivate the core competitiveness for the future, enhance the momentum and resilience for business development, and promote the continuous and positive business development of the Group.

1. Smart Community Services

In terms of smart community services, the Group will continue to rely on the accumulated technical resources and user data to explore and exploit community resources from multiple dimensions, thereby providing smart community services with higher quality.

2. Internet Home Furnishing Business

In terms of internet home furnishing business, the Group will build a more effective marketing system from the perspectives of marketing strategy planning, marketing team building, sales promotion policy formulation, channel building and establishment of price system. In addition, the Group will further expand into more categories and strive to provide products covering all categories in the field of home furnishing.

In the future, the Group plans to continuously expand the number of communities and user base it serves through regulated management, standardised services and localised marketing to achieve a higher level of development of the internet home business.

3. Internet Materials Business

In terms of the internet materials business, the Group will continue to optimise the internet material platform, satisfy the needs of end consumers and operators and build an industry-leading one-stop home material platform.

The Group will continue to develop city operators in the country, leverage on China Evergrande's advantages in supply chain system and economies of scale brought by centralised procurement, provide design software, open up product libraries and share city showrooms for free, and provide logistics, warehousing and distribution services to create a nationwide premium high-quality construction material supply chain system.

The Group will also gradually integrate resources such as designers, decoration companies, construction units and project supervision, coordinate participants in stages such as design, product selection, construction, acceptance, delivery and after-sales more effectively to create high-quality, efficient, reliable and stable closed-loop service structure with its internet thinking, providing standardised household building material platform services. In addition, the Group will fully utilise new media, new channels and new technology to break through the barrier between online and offline marketing, enhance online/offline customer flow as well as increasing customer flow access points. The Group will also continuously strengthen content and brand output to achieve precision reach and effective conversion of the target group, bringing continuous growth to the brand value.

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 2019, 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 2019, the Group maintained cash and bank balance of approximately RMB1,313.3 million (as at 31 December 2018: approximately RMB1,227.2 million). The increase in cash and bank balance was mainly due to the receipt of advanced payment from the provision of the "properties with move-in conditions" services in the internet community and relevant business segment.

Borrowings and Gearing Ratio

As at 31 December 2019, the Group's net equity amounted to approximately RMB1,141.6 million (as at 31 December 2018: approximately RMB1,042.6 million) with total assets amounted to approximately RMB1,537.8 million (as at 31 December 2018: approximately RMB1,432.0 million). Net current assets were approximately RMB1,100.0 million (as at 31 December 2018: approximately RMB1,040.1 million) and the current ratio was 3.8 times (as at 31 December 2018: 4.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings, lease liabilities and obligations under finance lease) over shareholders' funds was 6.5% (as at 31 December 2018: 5.1%).

COMMITMENT

As at 31 December 2019, the Group did not have any capital commitment (as at 31 December 2018: approximately RMB31,000).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("**RMB**") as at 31 December 2019. 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 2019, 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.

CHARGE OF ASSETS

During the year ended 31 December 2019, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

The Company and the Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2019 (as at 31 December 2018: nil).

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 year ended 31 December 2019, no option had been granted and there was no outstanding share option of the Company as at 31 December 2019 (as at 31 December 2018: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed approximately 380 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 and mandatory provident fund, etc. Total staff costs for the year ended 31 December 2019, including directors' emoluments, amounted to approximately RMB108.7 million (2018: RMB 172.9 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

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 2019.

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 2019 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 and, consequently, no assurance will be expressed on the preliminary announcement.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2019, there was no material acquisition and disposal.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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 2019.

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 2019 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 2019, 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 2019.

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.

2020 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's 2020 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.

APPRECIATION

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

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

Hong Kong, 24 March 2020

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.