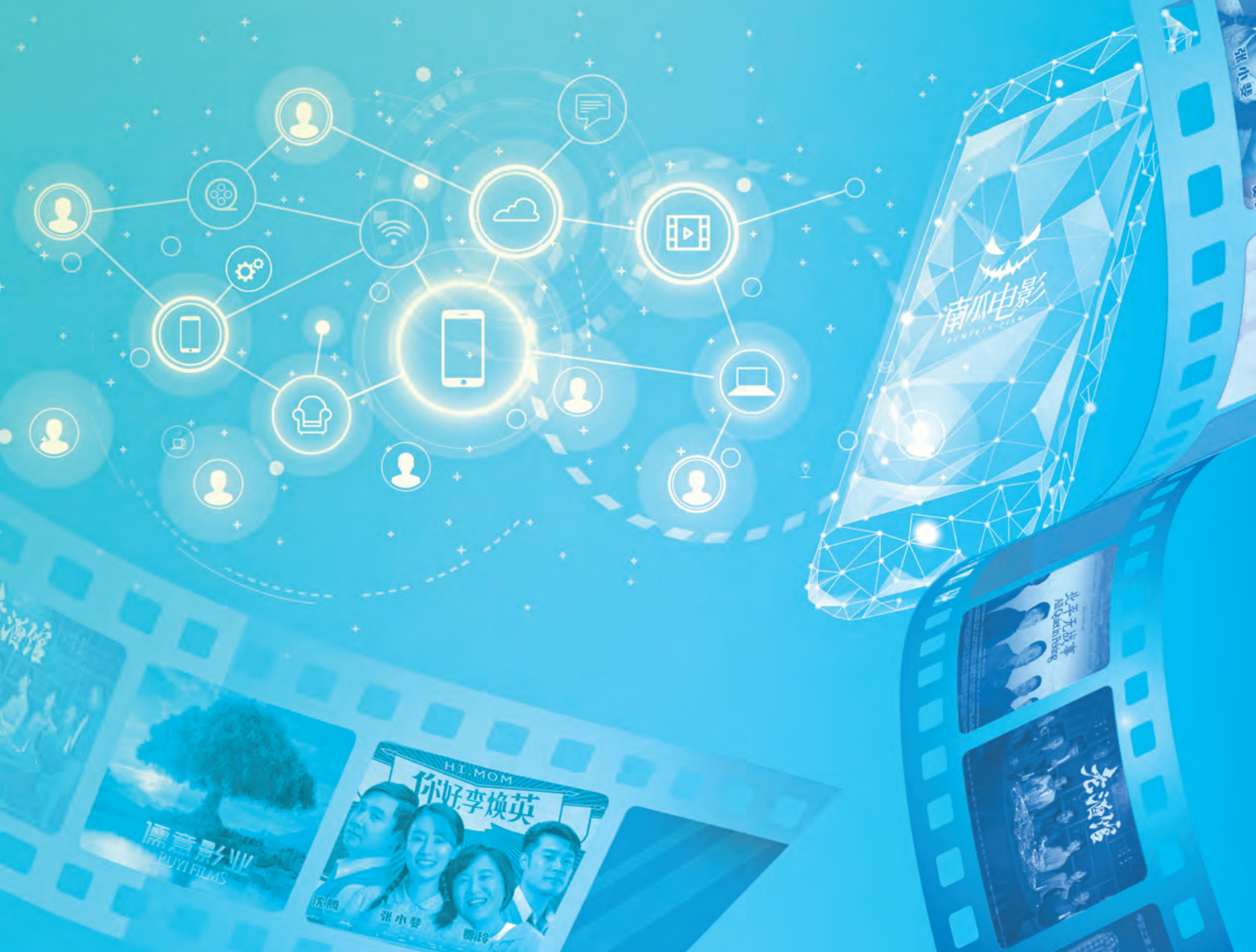
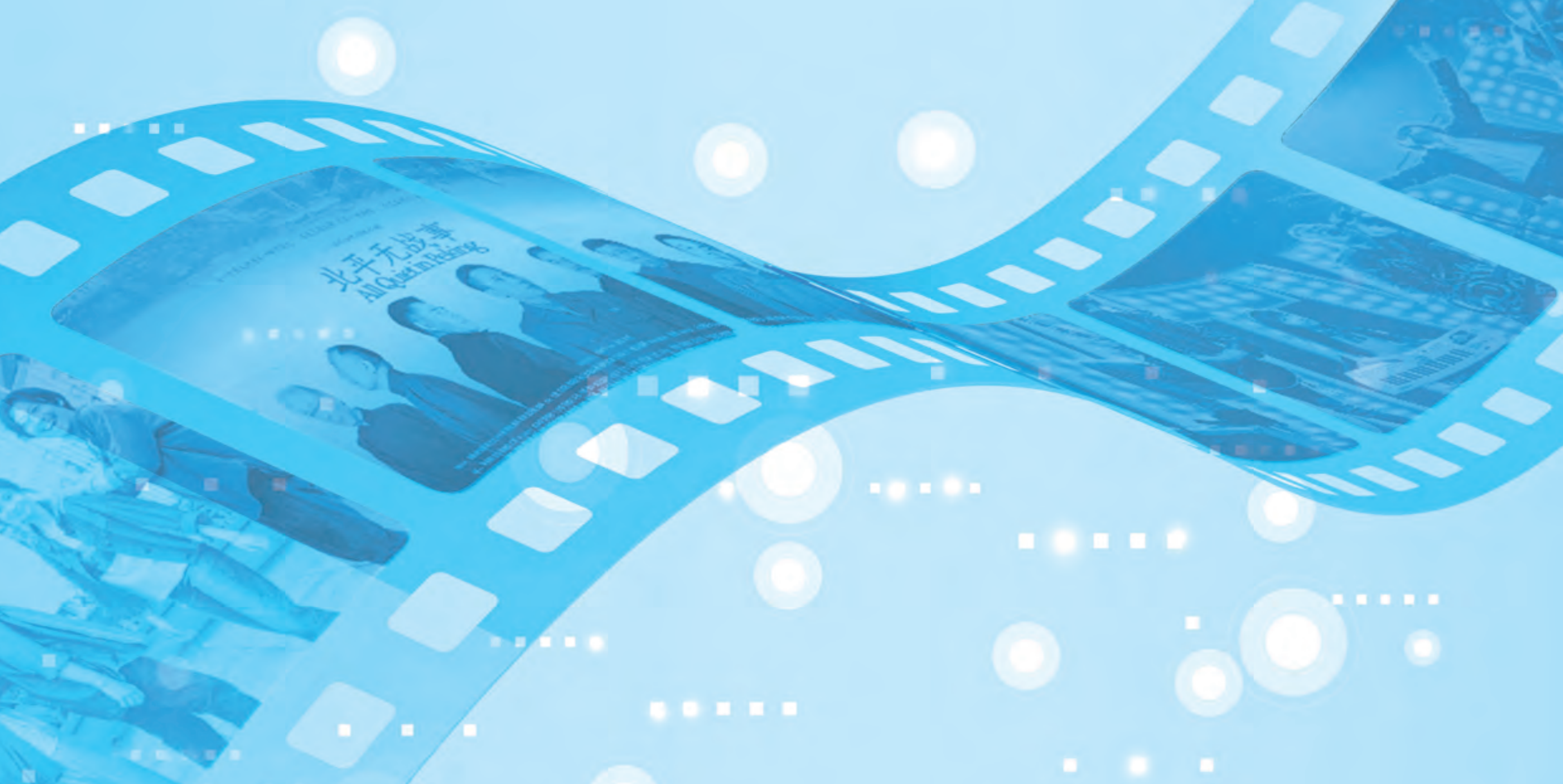
恒腾网络
hengten networks

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)

2020
ANNUAL REPORT





CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xu Wen *(Chairman)*
Mr. Huang Xiangui
Mr. Wan Chao
Mr. Chen Cong

Independent Non-executive Directors

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Nie Zhixin
Mr. Chen Haiquan

REMUNERATION COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Xu Wen
Mr. Nie Zhixin

NOMINATION COMMITTEE

Mr. Xu Wen *(Chairman)*
Mr. Nie Zhixin
Mr. Chen Haiquan

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

SHARE REGISTRARS

Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
China Everbright Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

WEBSITE ADDRESS

http://www.htmimi.com

DATE OF REPORT

30 March 2021

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the results of HengTen Networks Group Limited (the "**Company**" or "**HengTen Networks**") and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Year**").

BUSINESS REVIEW

Internet Community and Related Services

For the year ended 31 December 2020, the Group conducted its internet community and related services business in the communities across China, and its turnover decreased from RMB278.3 million for the year ended 31 December 2019 to RMB185.5 million for the year ended 31 December 2020, consisting of revenue from internet home furnishing sector of RMB104.6 million, revenue from internet materials business sector of RMB79.0 million, and revenue from other sectors of RMB1.9 million. The costs of internet community and related services business were mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin of such segment for the Year was approximately 51.7%. After deducting distribution costs and administrative expenses of approximately RMB64.8 million, the segment recorded a profit of approximately RMB31.1 million.

In 2020, in view of the tough and complex environment at onshore and offshore, particularly the severe impact of the COVID-19 outbreak, the Chinese government coordinated pandemic prevention and control and economic and social development by adhering to the general keynote of seeking progress while maintaining stability. According to data from the National Bureau of Statistics, the gross domestic product (GDP) of China exceeded RMB100 trillion for the first time in 2020, an increase of 2.3% over the previous year. Against the current backdrop of severe pandemic situation worldwide and global economy full of uncertainties, the Chinese economy maintained strong resilience and became a major economy in the world which achieved positive economic growth.

The overall recovery of the Chinese economy and the favorable policies promulgated by the Chinese government provided the Group with a sound support for development. As an Internet technology company, the Group promoted the steady development of the internet home furnishing and internet materials business with technology empowerment, and actively explored new business growth points. During the Year, the Company announced its acquisition of the entire issued share capital in Virtual Cinema Entertainment Limited which subsequently completed in January 2021 (the "**Pumpkin Acquisition**"), following which the Group shall fully transform into an internet technology enterprise and progress on its streaming media business.

The Internet Home Furnishing and Internet Materials Business

The internet home furnishing and internet materials business of the Group provide one-stop packaged and fully furnished services with products covering whole-house furnishing categories including building materials, furniture, home appliances and soft decorations, while creating its own brand for the whole-house furniture and customisation, ceramic tiles, wood flooring, bathroom and other categories. As at 31 December 2020, the Group launched its home building materials business in more than 450 projects in over 200 cities.

Manufacture and Sales of Accessories

Turnover of this segment decreased by approximately 24.4% from RMB59.0 million for the year ended 31 December 2019 to RMB44.6 million for the year ended 31 December 2020. Gross profit margin recorded for the year ended 31 December 2020 was approximately 32.2%, representing a decrease of approximately 1.6 percentage points as compared to the year ended 31 December 2019.

Loan Financing

During the year ended 31 December 2020, no new loan was granted and therefore no interest income was generated from this segment (for the year ended 31 December 2019: nil).

BUSINESS OUTLOOK

Looking forward, the management of the Group believes that the Chinese government is capable of handling regular pandemic prevention and control. China will sustain steady economic recovery, and keep its economic operations within a reasonable range, so as to achieve sustainable and healthy development. The Group will adapt to the new development environment, implement new strategic planning, create a new growth engine, enhance the power and resilience of business development, and promote the sustainable and stable business development of the Group.

Pumpkin Films Limited ("Pumpkin Films") and Shanghai Ruyi Movie Television Production Co., Ltd.* (上海儒意影視製作有限公司) ("Ruyi Films")

Actively looking for new business growth points, the Group gives a full play of the internet platforms and the industrial chain ecological advantages of its two major shareholders, namely Evergrande and Tencent, to deploy its internet streaming media business. Through its high-quality original content and big data analysis technology, the Group strives to provide users with ultimate personalized viewing experience without any advertisement. In the future, with the strong support from its two major shareholders Evergrande and Tencent, the Group will give full play to its experience in streaming media platform operation and film and television content production, and seek to develop Pumpkin Films into a world-class streaming media platform with premium technology content, the best film viewing experience and the most subscribers, such that Pumpkin Films can become the signature of the boutique lifestyle.

On 26 October 2020, the Company announced the acquisition of all equity interests in Ruyi Films and Pumpkin Films. The acquisition was completed on 20 January 2021. As disclosed in the announcement of the Company dated 26 October 2020, a total of 18,342,793,070 warrants were issued as part of the total consideration for the Pumpkin Acquisition. Such warrants under each tranche are exercisable by holder thereof subject to fulfilment of the condition that the consolidated net profit after income tax of Virtual Cinema Entertainment Limited and the variable interests entities controlled by it shall equal to or is more than RMB400 million, RMB500 million and RMB600 million for each of the financial years ending 31 December 2021, 2022 and 2023, respectively.

As a vertical subscription-only streaming media platform under HengTen Networks, Pumpkin Films provides global users with premium quality content and ultimate viewing experience through big data analysis and high-quality original content of Ruyi Films while taking excellent Chinese traditional culture as its source of inspiration.

Since the acquisition of Pumpkin Films has been completed, the membership of Pumpkin Films has achieved tremendous growth through empowerment of shareholders and consolidation of ecosystem resources. As at 28 February 2021, the cumulative number of registered members reached 38,617,456, and the cumulative number of paying subscribers reached 8,410,443. In February 2021, there were 2,510,176 new registered members and 2,483,529 new paying subscribers for that month.

The streaming media industry is currently one of the few industries benefiting from times and technology. Consumers are willing to pay for good stories, and long videos have the ability and advantages of telling good stories. Data shows that the compound annual growth rate of the online paid video market will reach 54% from 2015 to 2022. Therefore, the streaming media industry in China has broad development prospects.

Competitive Advantages of Pumpkin Films and Ruyi Films

Technological advantages. Pumpkin Films has developed its core competitiveness with data-driven innovation from the three dimensions consisting of digitization of user behavior, film deconstructing and labeling and customization of content production. For digitization of user behavior, based on the real behavior of a large number of paying users, extensive big data has been accumulated, which is matched with the data of sorted films to understand user preferences and improve the accuracy of recommendation. For film deconstructing and labeling, films are sorted in terms of their levels of action, romance and suspense, as well as their plots, endings, actors, and other dimensions, enabling the recommendation system to understand films with micro tags. For customization of content production, Pumpkin Films precisely customizes high-quality original content and purchases copyrighted dramas in line with users' preference based on the user data analyzed by big data.

Content advantages. With numerous high-quality original content, Ruyi Films has played a leading role in the production of more than 50 films and television works, reserved hundreds of film and television copyrights, and won important awards such as Flying Apsaras Awards, Golden Eagle Awards, Magnolia Awards and Huading Awards. Its iconic films include "Hi, Mom" (《你好，李煥英》), "A Little Red Flower" (《送你一朵小紅花》), "So Young" (《致我們終將逝去的青春》) and "Animal World" (《動物世界》). Its signature television dramas include "All Quiet in Peking" (《北平無戰事》), "Nirvana in Fire" (《琅琊榜》), "Legend of MiYue" (《芈月傳》) and "The Legendary Tavern" (《老酒館》).

In 2021, the representative film "Hi, Mom" (《你好，李煥英》), for which Ruyi Films acted as the main producer, recorded a box office of over RMB5.37 billion on the 47th day after its release, and has ranked second in the box office of Chinese movies so far. The film also broke the record of exceeding the box office of RMB5 billion at the fastest pace in Chinese film history. "A Little Red Flower" (《送你一朵小紅花》), a film released by Ruyi Films, recorded a cumulative box office of over RMB1.43 billion and became the top-grossing film on New Year's Day in 2021 in China.

Pumpkin Films owns a large amount of high-standard purchased copyrighted content, and has established long-term cooperation with 143 renowned independent production companies around the world such as those in Hollywood. With analysis of user data, it can screen the film and television works in line with members' preference in a targeted manner, choose the best out of the best purchased copyrights, and regularly select the superior and eliminate the inferior.

Talent advantages. Ruyi Films has a group of experienced and capable producers who can serve the directors well and communicate with the main creators in a professional and meticulous manner, such that the production of films and television dramas can be standardized and refined, which not only ensures the high quality of the production content, but also effectively controls the cost and investment.

Shareholder advantages. The empowerment of shareholders enables the Group to gain the advantages of the industrial chain. Leveraging on the advantages provided by resources of shareholders, the Group will strengthen collaboration with its shareholders. In this regard, the Company will comply with the relevant requirements of the Listing Rules.

Internet Home Furnishing and Internet Materials Business

In the future, the internet home furnishing and internet materials business of the Group is expected to gradually serve over 1,300 communities and more than 12 million property owners, pursue the in-depth integration of information technology and business management, and achieve technological empowerment in aspects such as customer acquisition, marketing, operation and service. With the assistance of big data analysis, the Group shall seek to consolidate user profiles from multiple dimensions including age, education and aesthetics for precise matching of customer needs. With the help of new technologies such as VR and AR, users can "visualize thinking and connect with their sight" via online platform.

FORWARD LOOKING STATEMENTS

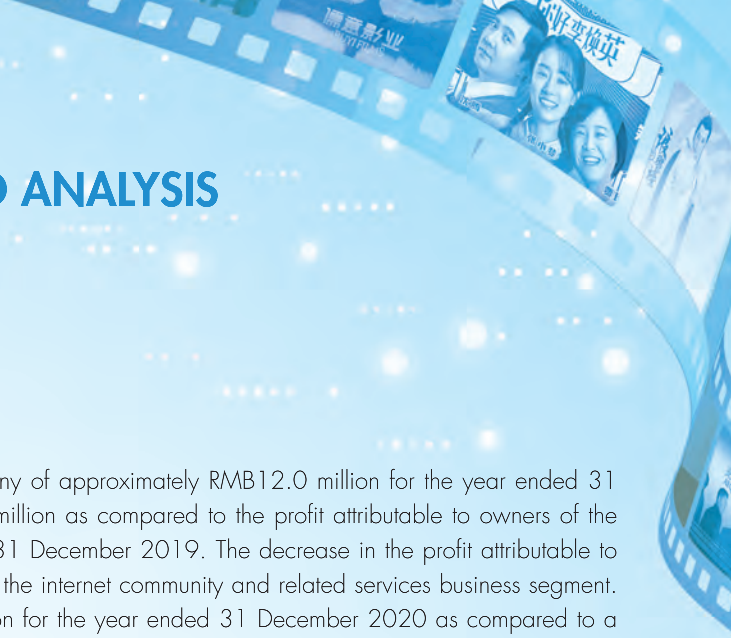
There can be no assurance that any forward-looking statements regarding the Group set out in this report or any of the matters set out therein are attainable, will actually occur or will be realized or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise 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

I would like to take this opportunity to thank our shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the Year.

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

Hong Kong, 30 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE SUMMARY

The Group recorded a profit attributable to owners of the Company of approximately RMB12.0 million for the year ended 31 December 2020, which decreased by approximately RMB78.1 million as compared to the profit attributable to owners of the Company of approximately RMB90.1 million for the year ended 31 December 2019. 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. It contributed to a segment profit of approximately RMB31.1 million for the year ended 31 December 2020 as compared to a segment profit of approximately RMB84.9 million for the year ended 31 December 2019. The basic and diluted earnings per share were RMB0.0149 fen and RMB0.0149 fen for the year ended 31 December 2020 respectively as compared to the basic and diluted earnings per share of RMB0.1118 fen and RMB0.1118 fen for the year ended 31 December 2019 respectively.

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 2020, 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 2020, the Group maintained cash and bank balance of approximately RMB1,031.1 million (as at 31 December 2019: approximately RMB1,313.3 million). The decrease in cash and bank balance was mainly due to the operation of the internet community and relevant business.

Borrowings and Gearing Ratio

As at 31 December 2020, the Group's net equity amounted to approximately RMB1,183.2 million (as at 31 December 2019: approximately RMB1,141.6 million) with total assets amounted to approximately RMB1,273.2 million (as at 31 December 2019: approximately RMB1,537.8 million). Net current assets were approximately RMB1,156.1 million (as at 31 December 2019: approximately RMB1,103.4 million) and the current ratio was 15.8 times (as at 31 December 2019: 3.8 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings and lease liabilities) over shareholders' funds was 1.4% (as at 31 December 2019: 6.5%).

COMMITMENT

As at 31 December 2020, the Group did not have any capital commitment (as at 31 December 2019: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("**RMB**") as at 31 December 2020. 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 2020, 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 2020, 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 2020 (as at 31 December 2019: 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 2020, no option had been granted and there was no outstanding share option of the Company as at 31 December 2020 (as at 31 December 2019: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed approximately 292 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 2020, including directors' emoluments, amounted to approximately RMB85.6 million (2019: RMB108.7 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: nil).

MATERIAL ACQUISITION AND DISPOSAL

During the Year, save for the Pumpkin Acquisition as disclosed in this Report, there was no material acquisition and disposal.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries principally engage in the internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products, investment and trading of securities and property investment.

BUSINESS REVIEW

A review of the Group's business during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company which occurred during the Year are provided in the section headed "Chairman's Statement", the section headed "Management Discussion and Analysis" of this annual report and note 3 to the consolidated financial statements.

The Group manages environmental and social issues that affect the Group and on which the Group can have an impact. All activities of the Group must comply with the laws and regulations in the jurisdictions in which it operates in relation to emissions, use of resources and environmental protection. The Group reduces the consumption of energy and other resources, reduces wastes and protects natural resources. The Group implements separate collection and disposal of the non-hazardous wastes and few ink boxes and toner cartridges generated during its operation process and is committed to minimizing the impacts of its operation on the natural environment during the operation. The Group actively guides employees to implement the concept of green environmental protection in their daily work. Based on business characteristics and relying on the carrier of the network platform, the Group gradually delivers green environmental protection information to owners and customers in a timely manner to help improve the public's awareness and attention to environmental protection.

Also, the Group has actively managed and monitored risks to protect and help the business development of the Group. The Group considered that the relationship with its customers has a relatively significant impact on the Group. The information about the Group's major customers, risk associated with reliance on those major customers and measures to mitigate such risk are disclosed in note 3.1 and note 13 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group during the Year are set out in the consolidated statement of comprehensive income on pages 50 and 51 of this annual report.

The Directors do not recommend the payment of a dividend for the Year.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the Year are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE OPTIONS

The Company's 2013 share option scheme (the "**2013 Option Scheme**"), was adopted pursuant to a resolution passed on 31 October 2013, for the primary purpose of providing incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity and which will expire 10 years after the date of adoption. Under the 2013 Option Scheme, the board of directors of the Company may, at its discretion, grant options to supplier, customer, person or entity that provides research, development or technological support or other services to the Group or any invested entity, shareholder or any member of the Group or any invested entity, holder of any securities issued by any member of the Group or invested entity and employee, including executive and non-executive directors of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company at a price of (i) the closing price of the shares on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the highest.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Option Scheme and any other schemes shall not exceed 30% of the total number of the issued share of the Company from time to time. The number of shares which may be issued upon exercise of all share options to be granted under the 2013 Option Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit was approved by Shareholders.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the validity period of the options.

There is no vesting period or market or non-market performance condition for the 2013 Option Scheme. The expiry date of the option is 10 years after the grant.

No share option was granted during the Year and there was no outstanding share option of the Company as at 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's property, plant and equipment during the Year are set out in note 6 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve was as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contributed surplus	**63,481**	63,481
Accumulated losses	**(3,824,198)**	(3,812,797)
	(3,760,717)	(3,749,316)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors:

Mr. Xu Wen (Chairman)

Mr. Huang Xiangui

Mr. Wan Chao (appointed with effect from 16 June 2020)

Mr. Chen Cong (appointed with effect from 20 January 2021)

Mr. Liu Yongzhuo (whose resignation took effect from 26 June 2020)

Mr. Zhuo Yueqiang (whose resignation took effect from 16 June 2020)

Independent Non-executive Directors:

Mr. Chau Shing Yim, David

Mr. Nie Zhixin

Mr. Chen Haiquan

Professor Shi Zhuomin

Pursuant to bye-law 87 of the Company's Bye-laws, each of Mr. Xu Wen and Mr. Chau Shing Yim David will retire from office by rotation at the forthcoming annual general meeting (the "**AGM**") and, being eligible, offer himself for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Director has entered into a letter of appointment with the Company, all for a term of three years and is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interest and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "**Listing Rules**") as adopted by the Company, was as follows:

Long positions in shares of the Company:

Wan Chao	Beneficial owner	31,400,000	0.04

Long positions in shares of China Evergrande Group:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Huang Xianggui	Beneficial owner	5,300,000	0.04
Chau Shing Yim David	Beneficial owner	1,000,000	0.01
Xu Wen	Beneficial owner	691,935	0.01

Long positions in shares of Evergrande Property Services Group Limited:

Xu Wen	Beneficial owner	1,000,000	0.01
Chau Shing Yim David	Beneficial owner	2,121,000	0.02

Save as disclosed above, as at 31 December 2020, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules.

During the Year, no individual has held the position of chief executive of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the Year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2020, Shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares — long positions:

Name of shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
China Evergrande Group	44,958,001,998	0	44,958,001,998	Interest of a controlled corporation	55.64%
Solution Key Holdings Limited *(Note 1)*	44,958,001,998	0	44,958,001,998	Beneficial owner	55.64%
Mr. Ke Liming	0	29,886,102,502	29,886,102,502	Interest of a controlled corporation	36.99%
Pumpkin Films Limited *(Note 3)*	29,886,102,502	0	29,886,102,502	Beneficial owner	36.99%
Tencent Holdings Limited	15,608,572,363	0	15,608,572,363	Interest of a controlled corporation	19.32%
Water Lily Investment Limited *(Note 2)*	15,608,572,363	0	15,608,572,363	Beneficial owner	19.32%

Note:

(1) Solution Key Holdings Limited is an indirect wholly-owned subsidiary of China Evergrande Group.

(2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

(3) Pumpkin Films Limited is wholly-owned by Mr. Ke Liming.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any person who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 5.5% and 22.0% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 44.1% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 13.9% of the Group's total purchases.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the Year.

STRUCTURED CONTRACTS

Background

As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, during the Year the principal businesses of the Group are internet home furnishing and internet materials. The Company carries out internet home furnishing and internet materials business, which involves value-added information services such as e-commerce business (the "**Restricted Business**"). Furthermore, in order to actively look for new business growth points, the Company announced the acquisition of all issued share capital in Virtual Cinema Entertainment Limited (the "Pumpkin Acquisition"). The acquisition was subsequently completed in January 2021, following which the Group shall fully transform into an internet technology enterprise and progress on its streaming media business. As the Company is a company incorporated in Bermuda, it is classified as a foreign enterprise under the PRC laws, rules and regulations.

On 11 December 2001, the State Council adopted the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (as amended on 10 September 2008 and amended for the second time on 6 February 2016, the "**FITE Regulations**"). Article 6 of the FITE Regulations provided that foreign ownership of foreign-invested telecommunication enterprises operating value-added telecommunication businesses cannot exceed 50%. At the same time, Article 10 of the FITE Regulations further provides that foreign investors in a foreign-invested telecommunication enterprise engaging in value-added telecommunication businesses shall have a good business record and experience in operating value-added telecommunication business (the "**Qualification Requirement**").

On 19 June 2015, Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business ("**Circular No. 196**") was issued by the PRC Ministry of Industry and Information Technology, which allows foreign ownership in enterprises operating in certain categories of e-commerce business to up to 100%, but the foreign shareholder shall still be subject to other conditions and requirement for foreign investment, including the Qualification Requirement under the FITE Regulations.

We have been advised by our PRC legal counsel that currently, the Group's online data and transaction processing business can be owned by foreign investor of up to 100% and the Group's information services business can only be owned by foreign investor of up to 50%, provided that in both cases, the foreign investor meets the Qualification Requirement.

As the current foreign shareholders of the WFOE (as defined below) do not meet the Qualification Requirement, irrespective of which category the WFOE's business is treated to be under, there may still be substantial legal impediments for the WFOE to directly apply for the relevant e-commerce operation licenses and permits.

As a result, the Restricted Business of the Group is carried out by Shenzhen HengTen Networks Company Limited ("**OPCO**", 深圳市恒騰網絡有限公司) under the Structured Contracts with Shenzhen HengTen Networks Services Company Limited ("**WFOE**", 深圳市恒騰網絡服務有限公司), a wholly-owned subsidiary of the Company. The Structured Contracts are detailed below under the paragraph headed "The Structured Contracts".

The Company agrees that it would unwind the Structured Contracts as soon as the relevant laws and regulations allow foreign investors to own the entire equity interest of OPCO.

We have been advised by our PRC legal counsel that the Structured Contracts do not contravene the PRC laws, rules and regulations, including those applicable to the WFOE and OPCO.

Pursuant to an equity transfer agreement (the "**OPCO Equity Transfer Agreement**") dated 27 June 2019 between Ms. Deng Miaojing ("**Ms. Deng**", OPCO's original shareholder) and Mr. Jiang Xiaodong ("**Mr. Jiang**"), Ms. Deng transferred her entire equity interest in OPCO to Mr. Jiang. Prior to entering into the OPCO Equity Transfer Agreement, OPCO was 55% owned by Ms. Deng and 45% owned by Ms. Yu Siyu ("**Ms. Yu**", together with Mr. Jiang, the "**OPCO Shareholders**"). After the execution of the OPCO Equity Transfer Agreement and the completion of filing procedures of the change in shareholder on 8 July 2019, OPCO became 55% owned by Mr. Jiang and 45% by Ms. Yu.

The product of the Group's internet services are currently in the forms of the online internet home e-commerce platform — HTmehome and the online internet home and material one-stop e-commerce platform — HTmega e-mall. As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the internet home and internet material businesses of the Group developed steadily in 2020. The Restricted Business of the Group needs to be operated by OPCO in order to obtain registered user and traffic growth, so as to acquire core user base and platform for commencing the Group's business. Looking forward to the near future, in addition to promoting the growth of internet home and internet material businesses, the Group will fully transform into an internet technology enterprise and progress on its streaming media business. As the Restricted Business is a material component of the abovementioned major business sectors of the Group, its performance is expected to become material to the overall performance of the Group in the future.

OPCO conducts its business through PC websites or mobile Apps which it owns or is authorised to operate. The business which OPCO operates includes publishing advertisement information to internet users, online orders, online payments, activating third party payment and other online application services, and such types of businesses relate to the Group's information services business. Furthermore, OPCO also provides platform services through its PC websites or mobile Apps allowing third party vendors of goods or services to set up online virtual shops, and such types of businesses relate to the Group's online data and transaction processing business.

The Group's total revenue for the Year contributed by OPCO under the Structured Contracts amounted to approximately RMB53 million (RMB52,980,294), representing approximately 23% of the Group's total revenue for the Year, and the total assets of OPCO as at 31 December 2020 were approximately RMB398 million (RMB397,642,125), representing approximately 31% of the total assets of the Group as at 31 December 2020.

The Structured Contracts

The Structured Contracts are designed to enable the Group to recognise and receive the economic benefit of the business and operations of OPCO together with effective control over and (to the extent permitted by PRC laws, rules and regulations) the right to purchase the equity interests in and/or assets of OPCO.

(1) Exclusive Management Consultancy Service Agreement

Pursuant to the Exclusive Management Consultancy Service Agreement dated 27 June 2019 between WFOE and OPCO, among other things, WFOE agreed to provide the relevant technological support and management consultancy services, consultancy on procurement of software and hardware, staff training and support, development and marketing of various platforms, industry consultancy and product development and business partners and market information to OPCO as OPCO's exclusive service provider; and is entitled to receive service fees at a range of 90% to 100% of the total monthly operating profit of OPCO. Except as otherwise agreed, OPCO shall not accept the same range of service provided by any third parties in the effective period of the agreement.

(2) Business Management Agreement

Pursuant to the Business Management Agreement dated 27 June 2019 between WFOE, OPCO and the OPCO Shareholders, among other things,

- the OPCO Shareholders agreed to procure OPCO not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, or company management, unless with prior written consent from WFOE or any third party designated by WFOE;

- OPCO and the OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc.; and

- each of the OPCO Shareholders agreed to, upon receiving any dividend or any other earnings or income from OPCO as its shareholder, immediately and unconditionally pay or transfer all such earnings or income to WFOE at nil consideration.

(3) Call Option Agreement

Pursuant to the Call Option Agreement dated 27 June 2019 between WFOE, OPCO and the OPCO Shareholders, the OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to, as and when permitted by applicable PRC laws, rules and regulations, purchase all or any part of the equity interests in OPCO held by the OPCO Shareholders for a consideration of RMB10,000, or when appraisal is required under PRC laws, rules and regulations, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws, rules and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement dated 27 June 2019 between WFOE and the OPCO Shareholders, the OPCO Shareholders pledged their entire equity interests in OPCO to WFOE as security for the performance of the obligations under the Exclusive Management Consultancy Service Agreement, Business Management Agreement and Call Option Agreement. The filing procedures of the equity pledge were completed on 29 July 2019.

(5) Powers of Attorney

Pursuant to the Powers of Attorney dated 27 June 2019 executed by each of the OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to, among other things, exercise all rights of the OPCO Shareholders, including but not limited to the rights to vote in a shareholders' meeting, appoint directors and other senior executives, sign minutes, file documents with the relevant companies registry, and sell, transfer, pledge or deal in the equity interest held by the OPCO Shareholders.

(6) Undertakings

Pursuant to the Undertaking dated 1 April 2016 executed by Ms. Yu (being an OPCO Shareholder) and the Undertaking dated 27 June 2019 executed by Mr. Jiang (being an OPCO Shareholder) respectively,

- any successor to him/her shall hold the respective equity interest in OPCO subject to the conditions, requirements and obligations under the Undertaking and the Structured Contracts;

- his/her respective equity interest in OPCO does not form part of the community property, and his/her decisions in relation to OPCO shall not be affected by her spouse;

- he/she will neither, directly or indirectly (either on her own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between himself/herself and WFOE;

- in the event that he/she receives any asset in relation to the liquidation of OPCO, he/she agrees to transfer to WFOE such assets at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations; and

- in the event that he/she receives any amount from WFOE or any third party in relation to the exercise of the call option under the Call Option Agreement, he/she agrees to unconditionally return all such amount to WFOE or any third party designated by WFOE.

As advised by our PRC legal counsel, appropriate provisions have been incorporated in the Structured Contracts to protect WFOE's interests in the event of death, bankruptcy or divorce of the OPCO Shareholders of its equity interest in OPCO to avoid any practical difficulties in enforcing the Structured Contracts. The Structured Contracts encompass certain provisions setting out that the respective contracts shall be legally binding on the legal assignees or successors of the parties thereto.

We have also implemented measures to protect against the potential conflicts of interest between the Group and the OPCO Shareholders. Pursuant to the Business Management Agreement, OPCO and the OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc. Under the Call Option Agreement, the OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to purchase all or any part of the equity interests in OPCO as and when permitted by applicable PRC laws, rules and regulations. Furthermore, under the Powers of Attorney executed by the OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to exercise the shareholders' rights in OPCO on behalf of the OPCO Shareholders. As a result, we have minimised the OPCO Shareholders' influence on the business operations of OPCO.

The entering into of the Structured Contracts did not constitute any notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules, nor any connected transaction of the Company under Chapter 14A of the Listing Rules as, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the OPCO Shareholders and OPCO were not connected persons of the Company.

The risks associated with the Structured Contracts and the actions taken by the Company to mitigate the risks (where applicable)

Business risks and financial risks borne by the Group as the primary beneficiary of OPCO

As the primary beneficiary of OPCO, the Group is exposed to the business risks and financial risks faced by OPCO. Any profit or loss of OPCO will be reflected in the consolidated financial results of the Group.

OPCO is now in the process of applying for the relevant e-commerce operation licenses and permits. If OPCO fails to obtain the requisite licenses and approvals to operate the Restricted Business in the PRC, the Group's internet business may be adversely affected.

The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws, rules and regulations

As advised by our PRC legal counsel, the Structured Contracts do not contravene the PRC laws, rules and regulations applicable to the business of the WFOE and OPCO and the articles of association of the WFOE and OPCO respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC Contract Law. The Structured Contracts are valid and enforceable against the parties to the Structured Contracts. Our PRC legal counsel also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions.

Despite there being currently no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, our PRC legal counsel has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant PRC laws, rules and regulations and may deny the validity, effectiveness and enforceability of the Structured Contracts in the future.

The possible impact of the PRC Foreign Investment Law on the Structured Contract and OPCO

On 15 March 2019, the Second Session of the 13th National People's Congress of the PRC passed the Foreign Investment Law, which was implemented on 1 January 2020.

The abovementioned law has no significant impact on the structured contract and the business of OPCO for the time being.

Despite this, our PRC legal counsel advised that according to the Foreign Investment Law, "investment in laws, administrative regulations or other methods prescribed by the State Council" is also a "foreign investment". Due to uncertain new laws in the future, administrative regulations or regulations of the State Council on defining "foreign investment", it's not guaranteed whether there will be any significant impact on the future of the structure contract and the business of OPCO.

If the law, administrative regulations or the State Council stipulate otherwise that "foreign investment" is defined and the authorities deny the legality, limitation and enforceability of the structural contract, the Group will lose the control right of OPCO, fail to merge the financial results of OPCO or properly safeguard, determine and control the assets of OPCO, which will have significant adverse impacts on the Group's business, financial condition and results of operations.

The Board will continue to monitor the progress of relevant laws, administrative regulations or the regulations of State Council and discuss with the Company's PRC legal counsel. If the business of the Group or OPCO is significantly affected, the Company will promptly publish the announcement regarding the relevant significant progress and its impact.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in OPCO as direct ownership

The Structured Contracts may not be as effective in providing the WFOE with control over and entitlement to the economic interests in OPCO as direct ownership.

Under the Structured Contracts, WFOE does not have direct ownership of OPCO and can only rely on OPCO and the OPCO Shareholders' performance of their contractual obligations to exercise effective control. The OPCO Shareholders may not act in the best interests of the WFOE or may not perform their obligations under the Structured Contracts. Such risk exists and the Group expects it to continue to exist throughout the period in which the Group intends to operate its business through the Structured Contracts with OPCO.

In addition, the Group has not purchased any insurance to cover risks relating to the enforcement of the Structured Contracts due to unavailability of such insurance product in the market at the moment based on the best knowledge of the Group.

The exercise of the call option under the Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the call option to purchase the entire equity interests in OPCO held by the OPCO Shareholders under the Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Call Option Agreement. For instance, if the consideration for the transfer of equity interest in OPCO to WFOE required by the PRC laws, rules and regulations is substantially high and the OPCO Shareholders fail to return the consideration to WFOE or if the competent tax authority require WFOE to pay enterprise income tax for such returned ownership transfer income with reference to the market value instead of the consideration as stipulated under the Call Option Agreement, in which case WFOE may be subject to a substantial amount of tax, the financial conditions of WFOE may be materially and adversely affected.

Potential conflicts of interest among WFOE, OPCO and the OPCO Shareholders may exist

OPCO and the OPCO Shareholders may fail to take certain actions required for the Group's business or to follow WFOE's instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective Structured Contracts with the WFOE, the WFOE may have to rely on legal remedies under the PRC laws, including seeking specific performance or injunctive relief, which may not be effective.

Pursuant to the Exclusive Management Consultancy Service Agreement, Business Management Agreement, Call Option Agreement and Equity Pledge Agreement (the "**Corporate Contracts**"), any disputes arising from these agreements between the parties thereto should first be resolved through negotiation, failing which by arbitration at the South China International Economic and Trade Arbitration Commission (also known as the Shenzhen Court of International Arbitration) ("**SCIETAC**") in accordance with the arbitration rules thereof (the "**Arbitration Clause**"). The arbitral tribunal may award remedies over the shares or land assets of OPCO, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of OPCO. Any disputes between the parties to the Powers of Attorney and the Undertakings may be referred to arbitration under the Arbitration Clause if the arbitral tribunal and/or the PRC court consider that those disputes fall under the scope of the Arbitration Clause under the Structured Contracts.

The Structured Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company's place of incorporation (Bermuda), OPCO's place of establishment (the PRC), the jurisdiction where the principal assets of the Company and OPCO are located (the PRC) have the power to grant interim remedies in support of the arbitration.

However, as advised by the PRC legal counsel of the Company, according to the PRC laws, rules and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as OPCO under the PRC laws, rules and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws, rules and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Bermuda may not be recognizable or enforceable in the PRC.

Furthermore, as the parties to the Structured Contracts are PRC entities and the subject matters contained therein are related to the PRC, the courts of Hong Kong and Bermuda may not accept that they are the proper forum for legal proceedings concerning the disputes (not including a request for interim remedies and any other remedies in support of the arbitration) between the parties arising under the Structured Contracts. The courts of Hong Kong may grant an interim remedies in support of arbitral proceedings commenced pursuant to the Arbitration Clause only if the arbitral proceedings are capable of giving rise to an arbitral award that may be enforced in Hong Kong and the interim remedies sought belongs to a type or description of interim remedies that may be granted in Hong Kong in relation to arbitral proceedings by Hong Kong courts. There is a risk that the courts of Hong Kong may refuse such interim remedies because an arbitral award from SCIETAC may be refused enforcement in Hong Kong because SCIETAC is currently not a recognized Mainland arbitral authority (as defined in the Hong Kong Arbitration Ordinance (Cap. 609)), but SCIETAC could acquire such status when a dispute arises.

Further, the court of Hong Kong may decline to grant an interim remedies on the ground that (a) the interim remedies sought is currently the subject of arbitral proceedings; and (b) the court considers it more appropriate for the interim remedies to be dealt with by the arbitral tribunal.

If any of the parties refers any dispute (not including a request for interim remedies and any other measures in support of the arbitration) arising out of the Structured Contracts to the court of Hong Kong and the dispute falls within the scope of the Arbitration Clause, the court will, if a party so requests not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration unless it finds the Arbitration Clause null, void, inoperative or incapable of being performed.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the WFOE. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the WFOE for PRC tax purposes, which could result in higher tax liabilities on the WFOE.

The operating and financial results of WFOE may be materially and adversely affected if the tax liabilities of OPCO or those of WFOE increase significantly or if they are required to pay interest on late payments.

Internal control measures

The Company has put in place effective internal controls over WFOE and OPCO to safeguard its assets held through the Structured Contracts. As a wholly-owned subsidiary of the Company, WFOE is subject to all the internal control processes and procedures applicable to the Group. The operations of OPCO are exclusively controlled by WFOE through the Structured Contracts and the Group has applied its internal control processes and procedures to OPCO. In particular, pursuant to the Structured Contracts, WFOE has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of OPCO and WFOE has the right to hire and terminate employees of OPCO.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications, experience and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

* for identification purpose only

CONNECTED TRANSACTION

Up to the date of this report, the Group conducted the following transaction which constituted a connected transaction for the Company under the Listing Rules, in respect of which an announcement dated 31 December 2020 was issued.

On 31 December 2020, Shenzhen HengTen Networks Services Co., Ltd.* (深圳市恒騰網絡服務有限公司) ("**Shenzhen Hengten**") (as lessee), a wholly-owned subsidiary of the Company, entered into a property lease agreement (the "**Property Lease Agreement**") with Guangzhou Jiasui Property Co., Ltd.* (廣州市佳穗置業有限公司) ("**Guangzhou Jiasui**") (as lessor) to lease the real estate located at Unit 2501, Guangzhou Evergrande Center, Huangpu Avenue West, Tianhe District, Guangzhou City, Guangdong Province (the "**Leased Property**" or "**Property**") for office use.

In accordance with the HKFRSs, the lease payments under the Property Lease Agreement are capital in nature, so the Leased Property will be recognized as a right-of-use asset of the Group on 1 January 2021 for an amount of RMB14,693,000. The rental payments under the Property Lease Agreement are determined following arm's length negotiation between Shenzhen Hengten and Guangzhou Jiasui taking into account the prevailing market rental for comparable properties in the vicinity of the Leased Property. The rental payments under the Property Lease Agreement are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business. In accordance with HKFRS 16, the Group is required to recognize the Leased Property as right-of-use assets. As a result, the entry into the Property Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

As Guangzhou Jiasui is an indirect wholly-owned subsidiary of China Evergrande, Guangzhou Jiasui is a connected person of the Company pursuant to the Listing Rules. Therefore, the transactions contemplated under the Property Lease Agreement constitute a one-off connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to the Property Lease Agreement, Shenzhen Hengten will lease the Property at a monthly rent of RMB547,842 plus other fees for a term from 1 January 2021 to 31 July 2023. The Directors believed that entering into the Property Lease Agreement could ensure that the Group operates its office under the brand "HengTen Networks" in a suitable prime location at Guangzhou Evergrande Center, situated in a prosperous area in the city with convenient transportation network and accommodative to the business scale development of the Group. Please refer to the announcement of the Company dated 31 December 2020 for details.

As the highest applicable percentage ratio in respect of the value of the right-of-use asset under the Property Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Lease Agreement are subject to the reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The aforesaid connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that the aforesaid connected transaction was on normal commercial terms and was entered into in the ordinary and usual course of business of the Company, and the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Saved as disclosed above and in note 32 to the consolidated financial statements which is fully exempted from Chapter 14A of the Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

Up to the date of this report, the Group conducted the following transaction which constituted continuing connected transaction for the Company under the Listing Rules, in respect of which an announcement dated 29 December 2017 and 31 December 2020, respectively, was issued.

1. Equipment Usage Contract

On 29 December 2017, a wholly-owned subsidiary of the Company, Shenzhen HengTen Network Services Co., Ltd.* (深圳市恒騰網絡服務有限公司) entered into an equipment usage contract (the "**Equipment Usage Contract**") with Evergrande Internet Financial Services (Shenzhen) Co., Ltd.* (恒大互聯網金融服務(深圳)有限公司) which is a wholly-owned subsidiary of China Evergrande Group, the controlling shareholder of the Company. The transaction contemplated under the Equipment Usage Contract constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Equipment Usage Contract, HengTen Network Services Co., Ltd. will provide Evergrande Internet Financial Services (Shenzhen) Co., Ltd. with server configuration, data backup system, NETAPP storage equipment and other network equipment for use and will charge Evergrande Internet Financial Services (Shenzhen) Co., Ltd. a total amount of RMB24,840,000 as usage fees for such equipment during the period from 1 January 2018 to 31 December 2020. Based on the business development needs of the Company, the Group currently owns sufficient network equipment to meet its own needs and has extra equipment available for lease. Not only will the Equipment Usage Contract bring stable revenue to the Group, it will also provide Evergrande Internet Financial Services (Shenzhen) Co., Ltd. with such equipment that meets its requirements for safety and reliability. Please refer to the announcement of the Company dated 29 December 2017 for details.

As all of the applicable percentage ratios calculated from the proposed annual caps of the above mentioned continuing connected transaction were less than 25% and the amount of each proposed annual cap was less than HK$10,000,000, the transaction contemplated under the Equipment Usage Contract is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Rule 14A.76(2)(b) of the Listing Rules.

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant Equipment Usage Contract on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the board of directors of the Company; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transaction.

* for identification purpose only

2. Property Service Agreement

On 31 December 2020, Shenzhen Hengten, a wholly-owned subsidiary of the Company, and Jinbi Property Co., Ltd.* (金碧物業有限公司) (formerly known as Guangzhou Jinbi Property Co., Ltd.* (廣州市金碧物業有限公司) and Guangzhou Jinbi Property Group Co., Ltd.* (廣州市金碧物業集團有限公司) ("**Jinbi Property**") entered into a property service agreement (the "**Property Service Agreement**"), pursuant to which Jinbi Property agreed to provide property management services to Shenzhen Hengten for a period of two years and seven months (i.e. from 1 January 2021 to 31 July 2023) in accordance with the terms of the Property Service Agreement.

As at the date of this announcement, China Evergrande Group (中國恒大集團) ("**China Evergrande**") is the controlling shareholder of the Company. Therefore, China Evergrande is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Jinbi Property is an indirect wholly-owned subsidiary of Evergrande Property Services, the controlling shareholder of which is also China Evergrande, Jinbi Property is a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Property Service Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

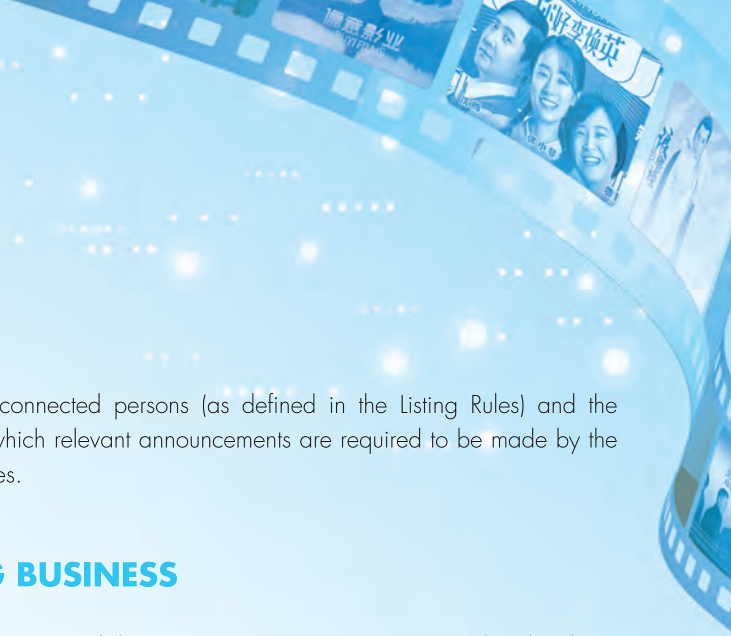
As the highest applicable percentage ratio in respect of the transactions contemplated under the Property Service Agreement calculated in accordance with the Listing Rules exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Service Agreement are subject to the reporting and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to the Property Service Agreement, Jinbi Property will provide property management services for property management service fees amounting to RMB2,518,521 and other fees and expenses, the total amount of which shall not exceed RMB3,000,000, to be agreed between the Company and Jinbi Property based on specific needs and required scope of services for each project of the Group, while safeguarding the reasonable interests of the Company and ensuring that the terms under the Property Service Agreement are no less favorable than those offered to the Group by independent third parties. Shenzhen Hengten chose to enter into the Property Service Agreement with Jinbi Property as Jinbi Property was believed to have the requisite expertise in property management, and the Company believed Jinbi Property could consistently provide quality services in the long term at a fair market price, thereby allowing the Company to establish a desirable office environment and to support the business development of the Group.

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that the aforesaid continuing connected transaction was on normal commercial terms and was entered into in the ordinary and usual course of business of the Company, and the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the board of directors of the Company; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transaction.

* for identification purpose only



Save as disclosed above, no other transactions between connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements are required to be made by the Company in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float throughout the Year.

CHARITABLE DONATIONS

The Group has not made any charitable donations during the Year (year ended 31 December 2019: nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Pumpkin Acquisition completed on 20 January 2021. For further details on the Pumpkin Acquisition, please refer to the announcements of the Company dated 26 October 2020 and 20 January 2021 and the circular of the Company dated 31 December 2020.

On 20 January 2021, the share consolidation on the basis that every ten (10) issued and unissued then existing shares of the Company be consolidated into one (1) consolidated share of par value HK$0.02 each in share capital of the Company took effect. For further details of the aforesaid share consolidation, please refer to the announcement of the Company dated 29 December 2020.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 122 of this report.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to such company's constitutional documents. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

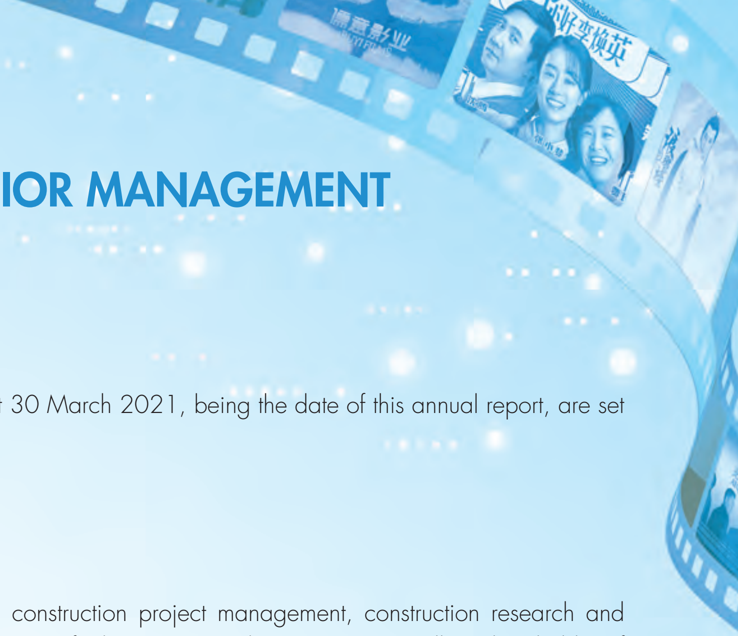
AUDITORS

The consolidated financial statements for the Year were audited by PricewaterhouseCoopers ("**PwC**"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint PwC as auditor of the Company.

Approved by the Board on 30 March 2021
For and on behalf of the Board

Xu Wen
Chairman

Hong Kong, 30 March 2021



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management as at 30 March 2021, being the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Xu Wen, aged 57, has over 22 years of experience in construction project management, construction research and design. Prior to joining the Company, Mr. Xu was an executive director of China Evergrande Group, a controlling shareholder of the Company (Stock Code: 3333, with shares listed on the main board of Hong Kong Stock Exchange) and had left such position on 25 April 2017. Mr. Xu is currently the chairman of the Board, executive director, chairman of the nomination committee, member of the remuneration committee and the authorized representative of the Company.

Mr. Xu holds a bachelor's degree in civil construction and a master's degree in project management. He is a registered structural engineer and a qualified supervising engineer in the People's Republic of China.

Mr. Huang Xiangui, aged 50, has over 24 years of experience in marketing, human resource management, operation and management of foreign-funded enterprises and capital market and investor relation management. Mr. Huang has been serving China Evergrande since 2004 and now serves as an executive director, a vice president and the general manager of the Hong Kong office of China Evergrande Group (Stock Code: 3333). China Evergrande Group is a company listed on the Hong Kong Stock Exchange. Mr. Huang also acts as a director of certain subsidiaries of the Company.

Mr. Huang graduated from Harbin Engineering University and University of Stirling in the United Kingdom and obtained a bachelor's degree in chemical engineering and a master degree in banking and finance.

Mr. Wan Chao, aged 53, has over 30 years of extensive experience in management in the architectural field. Mr. Wan joined Tencent in 2010. He is currently the Vice President of Tencent Cloud, responsible for the management of smart construction of Tencent Cloud.

Mr. Wan graduated from Jiangxi University of Engineering in 1988 with a bachelor's degree in industrial and structure of civil construction.

Mr. Chen Cong, aged 31, has more than 10 years of experience in the movie production and online streaming sectors. His representative productions consist of movies and television series, such as "A Fool" (《一個勺子》), "Sweet Sixteen" (《夏有喬木雅望天堂》), "All Quiet in Peking" (《北平無戰事》), "Zhan Kunlun" (《戰崑崙》), at which he was an executive producer. Mr. Chen was the PRC Registered Shareholder, director, legal representative and general manager of Shenzhen Jingxiu Network Technology Limited Company. He is the director and legal representative of Beijing Xiaoming and the supervisor of Shanghai Ruyi. He is also the director of the Virtual Cinema Entertainment Limited and Virtual Cinema HK. Prior to joining the Company, Mr. Chen worked as an office manager and chairman of the supervisory committee of Beijing Ruyi Xinxin Movie Investment Company Limited from 2009 to 2013.

Mr. Chen graduated in July 2016 from Beijing Foreign Studies University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David, aged 57, has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a director as well as Fellow member of the Hong Kong Securities Institute, the Chairman of Corporate Outreach Committee and China Strategy Committee. Mr. Chau is also a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is currently an independent non-executive director of BC Technology Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited) (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (Stock Code: 313) from February 2014 to September 2018 and Asia Grocery Distribution Limited (Stock Code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Stock Exchange.

Mr. Nie Zhixin, aged 58, is the standing vice president of the Henan Chamber of Commerce in the Guangdong province, vice president of the Tianhe Road Chamber of Commerce in Guangzhou, vice president of the Chain-operations Management Association in Guangzhou and general manager of Gladith Fashion Co., Ltd. in Guangzhou. In 1990, Mr. Nie established the "GLADITH•葛來娣" fashion brand in Guangzhou which has now become one of the well-known women's fashion brands in the PRC.

Mr. Chen Haiquan, aged 51, is a doctorate holder from the Chuo University, Japan, a professor and doctoral supervisor at the Jinan University. He also serves as the director of the Guangdong Institute of Asia-pacific E-commerce, dean of the Guangdong Research Institute of Modern Logistics, executive president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province, vice president of the Association of Business and Economics in the Guangdong province and vice secretary-general of Chinese Association of Market Development. Mr. Chen served as an independent director of Guangzhou Friendship Group Co., Ltd. (listed on the main board of Shenzhen Stock Exchange, stock code: 00987), Guangzhou Jiacheng International Logistics Co., Ltd. (listed on the main board of Shanghai Stock Exchange, stock code: 603535) and MOSO Power Technology Co., Ltd. (listed on the main board of Shenzhen Stock Exchange, stock code: 002660). He is currently the independent non-executive director of the Company, and an external director of Guangzhou Business Investment Holding Group Co., Ltd. Mr. Chen graduated from the graduate school of Daito Bunka University, Japan and the graduate school of Chuo University, Japan and obtained a master's degree in economics and a doctorate in comprehensive policy, respectively.

Professor Shi Zhuomin, aged 49, has obtained a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan and is a visiting scholar under the China-US Fulbright Program. Professor Shi studied at and visited The Chinese University of Hong Kong, Harvard Business School and the University of Missouri and visited various countries and regions including the United States, Japan, Germany, Brazil and Hong Kong for academic exchange. She also held lectures on "Marketing Practice in China" and "Chinese Luxury Consumption" for students from Europe, the United States and Japan studying in China and held lectures on "Understanding Chinese Consumers" at certain universities in the United States. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-cultural consumption behaviour comparison research and international marketing.

Professor Shi is currently a professor and doctoral supervisor in the management school at Sun Yat-sen University. She is also a council member of China Marketing Association of University, a provincial investigation and consulting expert of Guangdong Province and an external academic advisor of the MScMIB program of Lingnan University in Hong Kong.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, Maria Olimpia, aged 77, is the founder of the Group. Ms. Chan was the chairman of the Company up to 7 April 2008. After resignation from the Board, Ms. Chan remains as a director of certain subsidiaries of the Company so as to help her to give advice and pass on her valuable experience in the manufacturing and sales of goods. Ms. Chan has over 41 years of experience in the industry of manufacturing and sale of accessories for photographic products.

CORPORATE GOVERNANCE REPORT

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 Listing Rules during the Year except for the following deviation from the Code provisions:

- Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, no individual has held the title of chief executive in the Company. 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 powers of execution is vested in the Board itself.

- Code provision E.1.2 stipulates that the chairman of the Board shall attend the annual general meeting of the Company. Due to the COVID-19 travel restrictions imposed this year and the need to attend other business matters that had been arranged in advance, Mr. Xu Wen, who had served as a director of the Company during the year ended 31 December 2020, did not attend the Company's annual general meeting held on 15 June 2020.

BOARD OF DIRECTORS

The Board determines the overall strategies of the Group, monitors and controls operating and financial performance, analyses and formulates strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, and significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

Composition of the Board

During the Year and up to the date of this annual report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:
Mr. Xu Wen *(Chairman)*
Mr. Huang Xiangui
Mr. Wan Chao (appointed with effect on 16 June 2020)
Mr. Chen Cong (appointed with effect on 20 January 2021)
Mr. Liu Yongzhuo (resigned with effect on 26 June 2020)
Mr. Zhuo Yueqiang (resigned with effect on 16 June 2020)

Independent non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

Biographical details of current members of the Board are set out on page 27 to page 29 of this annual report.

During the Year, the Company has at all times met the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation pursuant to the bye-laws of the Company (the "**Bye-laws**"). In accordance with the Bye-laws, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

Board Diversity

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving the Group's business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members who match the requirement of the business of the Company.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

The Board has the following duties and responsibilities in respect of the corporate governance functions of the Company:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulator requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosures in the Corporate Governance Report in the annual report of the Company.

During the Year and up to the date of this report, the Board has performed the corporate governance duties.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications. Four Board meetings were convened by the Company during the Year.

The Company has set up the audit committee, remuneration committee and nomination committee (as detailed in the following section) in respect of the Board.

The attendance of individual Directors at the Board meetings, the meetings of the three committees and general meetings held during the Year is set out below:

	No. of meetings attended/held				
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Xu Wen *(Chairman)*	4/4	–	1/1	1/1	0/1
Mr. Huang Xiangui	4/4	–	–	–	0/1
Mr. Wan Chao	4/4	–	–	–	0/1
Mr. Chen Cong	4/4	–	–	–	0/1
Independent non-executive Directors					
Mr. Chau Shing Yim, David	4/4	2/4	1/1	–	1/1
Mr. Nie Zhixin	4/4	2/4	1/1	1/1	0/1
Mr. Chen Haiquan	4/4	2/4	–	1/1	0/1
Professor Shi Zhuomin	4/4	–	–	–	0/1

Directors' Training

All Directors have complied with the Code provisions in relation to continuous professional development. This has involved various forms of activities including attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for every new member of the Board. On appointment, the new member will receive an induction which includes meetings with members of the Board introducing the Group's business segments in which the Group operates, the roles and responsibilities as a Director and the requirements under the Listing Rules in respect of the Code provisions in relation to continuous professional development.

The Company regularly updates Directors on the developments in respect of the Listing Rules and applicable regulatory requirements, to enhance their awareness of good corporate governance practices.

During the Year, all of the Directors have attended training sessions. The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

As at 31 December 2020, the audit committee comprised three members, namely, Mr. Chau Shing Yim, David, chairman of the audit committee, Mr. Nie Zhixin and Mr. Chen Haiquan all being independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in code provision C.3.3 of the Code. The audit committee is principally responsible for reviewing the effectiveness of the Company's internal audit function, reviewing and supervising the Group's financial reporting process, risk management and internal control system and providing advice and recommendations to the Board.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2020.

During the Year, two meetings have been held by the audit committee to approve the audited financial statements for the Year and to review interim financial statements (including accounting policies and practices adopted) of the Group for the Year, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 32 of this annual report.

On 29 March 2021, the audit committee met to review the risk management and internal control systems of the Group, the financial statements and other reports for the Year and discuss any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval. The audit committee recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2021 at the annual general meeting of the Company.

REMUNERATION COMMITTEE

The majority of the members of the remuneration committee were independent non-executive Directors. As at 31 December 2020, the members of the remuneration committee included Mr. Chau Shing Yim, David, the chairman of the remuneration committee, Mr. Nie Zhixin and Mr. Xu Wen. The remuneration committee adopted the written terms of reference which were basically the same as those set forth in code provision B.1.2 of the Code. The remuneration committee is principally responsible for assessing performance of executive Directors, approving executive Directors' service contracts, reviewing and determining, with delegated responsibility, the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. No Director is involved in deciding his/her own remuneration.

During the Year, one meeting has been held by the remuneration committee. The remuneration committee had discussed and reviewed the remuneration packages for all Directors and senior management. The record of attendance of members at such meetings is set out on page 32 of this annual report.

NOMINATION COMMITTEE

The majority of the members of the nomination committee were independent non-executive Directors. As at 31 December 2020, the members of the nomination committee included Mr. Xu Wen, the chairman of the nomination committee, Mr. Nie Zhixin and Mr. Chen Haiquan. The nomination committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, and selecting and making recommendations to the Board on the appointment of Directors and senior management.

During the Year, one meeting has been held by the nomination committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 32 of this annual report.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the Year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

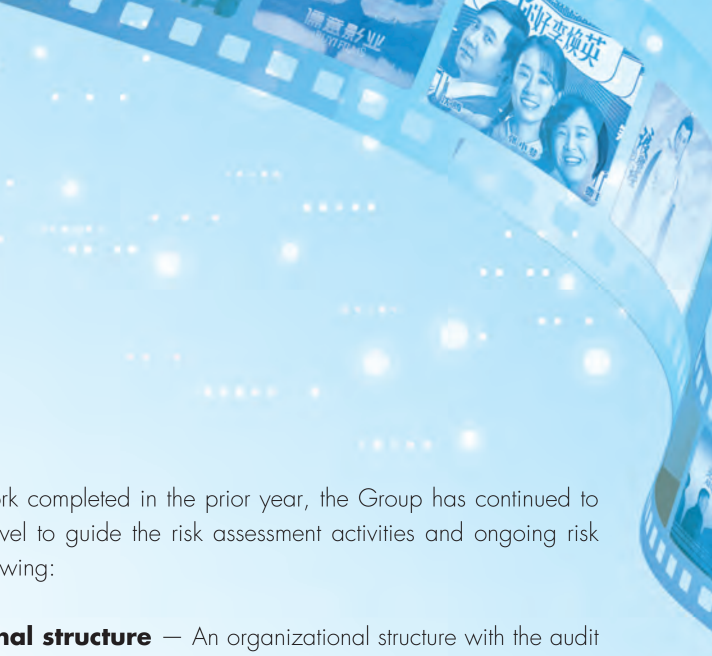
The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PricewaterhouseCoopers are set out in the Independent Auditor's Report on page 43 to page 47 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

The Board is responsible for the risk management and internal control system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving strategic objectives, and monitoring the establishment and maintenance by the management of appropriate and effective risk management and internal control systems. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Sound risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.



Risk Management

1. Enhancement in risk management system and structure
Based on the latest group organizational structure and the work completed in the prior year, the Group has continued to improve the risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities for various departments by way of the following:

✓ **Reiterated the risk management organizational structure** — An organizational structure with the audit committee as the decision-maker and the leading groups and management of various business segments of the Group as the implementation unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

The main roles and responsibilities of the risk management system are as follows:

Roles	**Primary Duties**
Board (Decision-maker)	• Assess and determine the nature of the risk and the degree of acceptance to ensure the achievement of strategic objectives • Ensure the establishment and maintenance of an effective risk management and internal control system • Supervise management for the design, implementation and monitoring of the risk management and internal control system
Audit Committee (Decision-maker)	• Review the structure and responsibilities of risk management and continuously monitor its effectiveness, review the basic risk management system • Supervise the management for the design, implementation and monitoring of the risk management and internal control system • Monitor significant control failures or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition

Roles	Primary Duties
Senior management of the Group (Leadership)	• Responsible for the development of risk management system, regularly review the Company's risk management policies and system • Design, implement and supervise the risk management work of the Group, report on risk management to the audit committee on a regular basis, and report and disclose significant risk information to the audit committee • Provide the audit committee with the confirmation of the effectiveness of the risk management system
Management at the headquarters of the Group and management of various departments (Implementer)	• Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work • Develop and implement a risk response program for the relevant activities • Responsible for the implementation of specific risk management measures • Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information • Conduct other relevant work on risk management
Risk management coordinators	• Coordinate risk identification and assessment work • Organize the preparation of regular risk assessment reports, summarize and submit the results to the risk management leadership • Organize and coordinate risk management training and guidance
Internal audit function	• a risk management supervising department, responsible for supervising risk management work of the Group and various business segments

✓ **Updated the risk assessment criteria** — During the Year, in response to the changes in internal and external environment, taking into account the business nature, operation characteristics and strategic objectives of the Group and each segment and the risk appetite of the management, the Group updated the risk assessment standards applicable to each business segment and carried out the assessment on the risks that are most likely to affect the achievement of the corporate objectives by using commonly recognized assessment methods and assessment criteria.

✓ **Refined and standardized the risk management workflow** — Based on the business operations, the Group continuously monitors and manages risks through the risk management workflow covering major steps including identification, assessment, response, monitoring and reporting (please refer to figure 1 "Risk management workflow" below for details). The main elements include, for the purposes of business objectives of the Group and various business segments, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures. During the Year, the Group reviewed, adjusted and improved the risk management workflow, improving the efficiency and standardization of its operation.

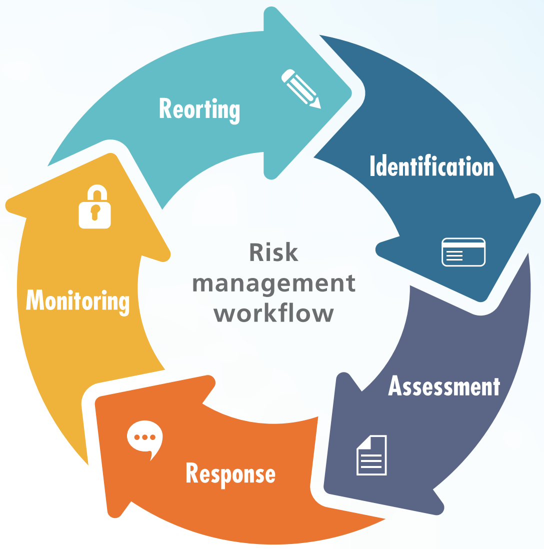


Figure 1: Risk management workflow

✓ **Refined and reiterated the risk management review frequency** — The frequency of risk management assessment and reporting of the Group was reiterated (to be at least once a year), and the aforesaid key elements have been incorporated in the Risk Management Manual of the Group to standardize the forms and frequency of reporting.

2. Risk assessment work of the Group for 2020
In addition to the aforesaid risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance of the risk management system in 2020, details of which include the following:

- *Advance the implementation of material risk assessment results of the Group for the prior year*
During the Year, the management of the Group followed up on the implementation of the measures in respect of the areas for improvement in management and control identified in the risk assessment for the prior year, establishing a continuous management and control cycle model of "Risk identification — Implementation of risk countermeasures — Review effectiveness of the implementation of risk response measures — Continuous optimization of risk management and control" in order to ensure that the material risk management gaps have been effectively improved and to continuously improve the Group's ability to prevent and cope with risks (for details, please refer to Figure 2: Risk assessment, management and control model).

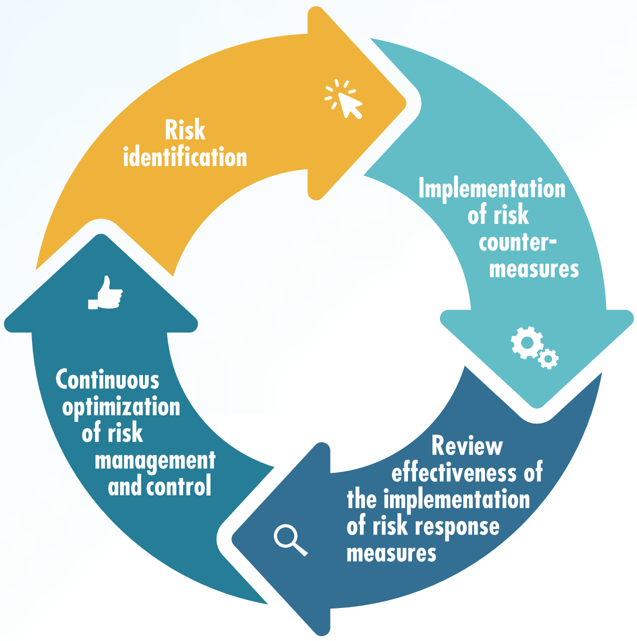


Figure 2: Risk assessment, management and control model

- *Conduct a comprehensive review of risk management system of the Group for the year of 2020*
The management of the Group updated the risk assessment standards and the risk database based on the changes in the external market environment and the internal operating environment, the progress of business and risk appetite. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks that its business segments face, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the audit committee. The audit committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered these systems effective and sufficient.

Internal Control

1. Enhancement of the internal control framework

   The Group has established its own internal control system by making reference to the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to figure 3: COSO Internal Control — Integrated Framework). The Group's internal control system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.

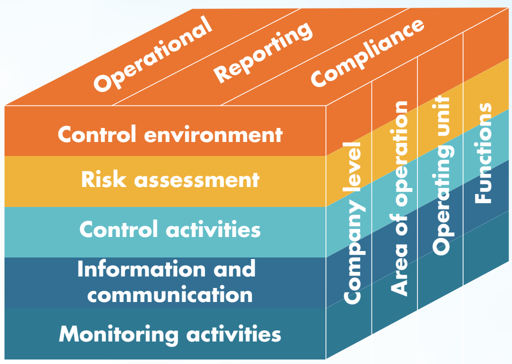


Figure 3: COSO Internal Control — Integrated Framework

   The internal control system of the Group, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and departments has designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2. Internal Audit

   The Group has in place internal control functions. Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal controls review, which are followed up on by the Supervision Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

During the Year, the Board, through the audit committee, conducted a comprehensive review of the risk management and internal control systems of the Group for the financial year of 2020, which mainly involved the continuous advancement of risk assessment and the major assessment of the results of the internal control review for the prior year as well as the risk assessment and internal control review for key business process for the Year and covered the Group and its major business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the natures and severity of major risks as well as the Group's ability to cope with the changes in its business and external environment, were reviewed, and these systems were considered effective and sufficient.

The audit committee has reviewed the resources, staff qualifications and experience of the Company on accounting, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

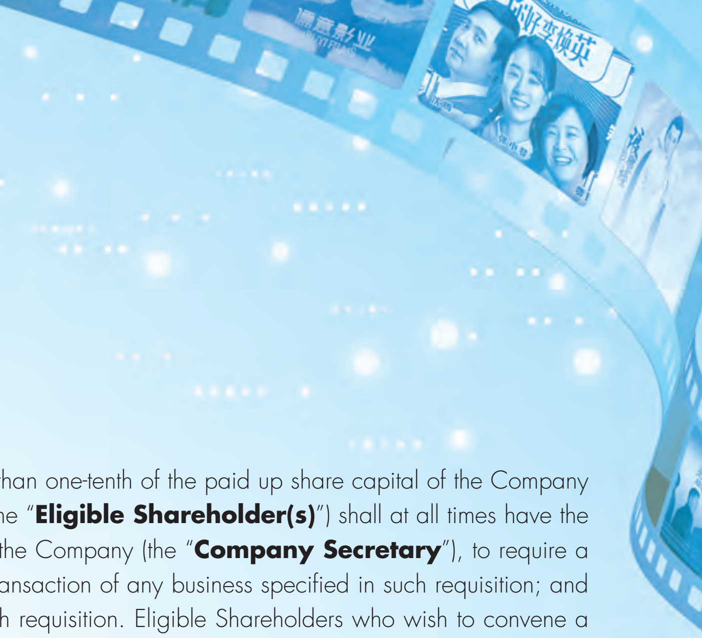
The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all shareholders and stakeholders of the Group to assess the latest position of the Group.

AUDITOR'S REMUNERATION

For the Year, the emolument to the external auditor of the Company for the annual audit and review of interim financial statements amounted to approximately RMB2,600,000 and the emolument of the external auditor of the Company for providing non-audit services including consultation and advisory service regarding corporate governance reporting and environmental, social and governance reporting and audit fee for merger and acquisition amounted to approximately RMB3,826,000.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the Year, the Company did not amend its Bye-laws.



SHAREHOLDERS' RIGHTS

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Eligible Shareholders who wish to convene a SGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such SGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

Shareholder who wishes to propose a person other than a Director of the Company for election as a Director must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Hong Kong Branch Share Registrar**"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the Shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (not the person to be nominated). The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence on the day after the dispatch of the notice of the general meeting held for the election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Hong Kong Branch Share Registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by Shareholders are set out in the Company's amended and restated Bye-laws headed "General Meetings", "Notice of General Meetings", "Proceedings At General Meetings" and "Voting".

DISCLAIMERS

The contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the Shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the Shareholders in reliance upon any contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings".

INVESTOR RELATIONS

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. The Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of HengTen Networks Group Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of HengTen Networks Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 121, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is the assessment of the expected credit losses of trade and other receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade and other receivables Refer to Note 4(a) — Critical accounting estimates and judgements and Note 13 — Trade and other receivables to the consolidated financial statements. As at 31 December 2020, the carrying amount of trade and other receivables amounted to RMB154,987,000 (after provision of RMB9,340,000), representing approximately 12% of the Group's total assets. The Group applies HKFRS 9 to measure the expected credit losses ("ECL") of trade and other receivables which have been assessed for impairment on a collective group basis based on different credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the historical settlement records, credit ratings, financial positions and other factors that impacted their ability of repayment. Management also took into account of existing market conditions and forward looking information. We focused on this area due to the significance of the trade and other receivable balances and the complexity of models and subjectivity of significant assumptions and data used in the estimation of expected credit losses.	We obtained an understanding of management's internal control and assessment process of the ECL of trade and other receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of models and subjectivity of significant assumptions and data used. We evaluated and validated the controls over the assessment of the expected credit loss of trade and other receivables. Those controls were related to the identification of impaired receivables and the quantification and recording of impairment provisions. We assessed the appropriateness of the grouping of trade and other receivables based on shared credit risk characteristics and ageing periods and the credit loss provisioning methodology adopted by management. We tested, on a sample basis, the accuracy of ageing profile of trade and other receivables prepared by management by checking to sales invoices or other relevant documents We tested, on a sample basis, the historical settlement by checking to the bank slips to assess the effectiveness of management's estimation process

Key Audit Matter	How our audit addressed the Key Audit Matter
	We challenged management's estimation of the risk of default and ECL rate referencing to the debtors' credit information including settlement records, their financial positions and ability of repayment and collaborated management's explanations with publicly available information and supporting evidence. We evaluated the appropriateness of the forward looking information with reference to our industry knowledge and relevant published macroeconomic data. We checked the mathematical accuracy of the calculation of the allowance of ECL. We found the models, significant assumptions and data applied by management in the assessment of the ECL of trade and other receivables were supported by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,338	17,457
Right-of-use assets	7	12,952	16,364
Intangible assets	8	2,172	2,929
Financial assets at fair value through other comprehensive income	11	553	631
Prepayments	12	6,595	104
Deferred tax assets	19	3,280	7,295
		38,890	44,780
Current assets			
Inventories	9	8,840	30,317
Other current assets	12	21,465	35,401
Trade and other receivables	13	154,987	110,695
Financial assets at fair value through profit or loss	14	17,967	3,311
Cash and cash equivalents	15	1,031,092	1,313,301
		1,234,351	1,493,025
Total assets		1,273,241	1,537,805
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	161,228	150,172
Share premium	16	4,511,147	4,454,940
Other reserves	17	46,481	80,890
Accumulated losses		(3,535,688)	(3,544,451)
Total equity		1,183,168	1,141,551

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*7*	**11,811**	6,654
		11,811	6,654
Current liabilities			
Lease liabilities	*7*	**4,927**	13,471
Contract liabilities	*5(e)*	**4,196**	18,143
Borrowings	*18*	**–**	53,571
Trade payables	*20*	**8,116**	15,554
Other payables	*21*	**60,103**	284,229
Current income tax liabilities		**920**	4,632
		78,262	389,600
Total liabilities		**90,073**	396,254
Total equity and liabilities		**1,273,241**	1,537,805

The notes on pages 55 to 121 are an integral part of these consolidated financial statements.

The financial statements on pages 48 to 121 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Xu Wen
Director

Huang Xiangui
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**230,114**	337,300
Cost of sales	22	**(119,892)**	(134,910)
Gross profit		**110,222**	202,390
Selling and marketing costs	22	**(50,417)**	(72,771)
Administrative expenses	22	**(71,154)**	(72,935)
(Net impairment losses)/reversal of impairment losses on financial assets	3.1(d)	**(4,169)**	1,641
Other income	24	**18,452**	10,324
Other expenses	25	**(2,928)**	(3,489)
Other gains — net	26	**5,174**	21,115
Operating profit		**5,180**	86,275
Finance costs	27	**(2,270)**	(3,804)
Finance income	27	**13,218**	26,643
Finance income — net	27	**10,948**	22,839
Profit before income tax		**16,128**	109,114
Income tax expenses	28	**(4,106)**	(17,041)
Profit for the year		**12,022**	92,073
Other comprehensive income	17		
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**(78)**	42
Currency translation difference		**(47,223)**	10,366
Other comprehensive income for the year, net of tax		**(47,301)**	10,408
Total comprehensive income for the year		**(35,279)**	102,481

	Notes	2020 RMB'000	2019 RMB'000
Profit attributable to:			
Owners of the Company		**12,022**	90,065
Non-controlling interests		**–**	2,008
		12,022	92,073
Total comprehensive income attributable to:			
Owners of the Company		**(35,279)**	100,473
Non-controlling interests		**–**	2,008
		(35,279)	102,481
Earnings per share for profit attributable to the owners of the Company for the year: (expressed in RMB fen per share)	*29*		
Basic earnings per share		**0.0149**	0.1118
Diluted earnings per share		**0.0149**	0.1118

The notes on pages 55 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital RMB'000 *(Note 16)*	Share premium RMB'000 *(Note 16)*	Other reserves RMB'000 *(Note 17)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	150,172	4,454,940	63,598	(3,627,632)	1,041,078	1,563	1,042,641
Comprehensive income							
Profit for the year	—	—	—	90,065	90,065	2,008	92,073
Other comprehensive income							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	42	—	42	—	42
Currency translation difference	—	—	10,366	—	10,366	—	10,366
Total other comprehensive income	—	—	10,408	—	10,408	—	10,408
Total comprehensive income	—	—	10,408	90,065	100,473	2,008	102,481
Transactions with owners							
Transfer to statutory reserve *(Note 17(b))*	—	—	6,884	(6,884)	—	—	—
Disposal of subsidiaries	—	—	—	—	—	(3,571)	(3,571)
Total transactions with owners	—	—	6,884	(6,884)	—	(3,571)	(3,571)
Balance at 31 December 2019	150,172	4,454,940	80,890	(3,544,451)	1,141,551	—	1,141,551

	Attributable to owners of the Company						
	Share capital RMB'000 *(Note 16)*	Share premium RMB'000 *(Note 16)*	Other reserves RMB'000 *(Note 17)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	150,172	4,454,940	80,890	(3,544,451)	1,141,551	–	1,141,551
Comprehensive income							
Profit for the year	–	–	–	12,022	12,022	–	12,022
Other comprehensive income							
Changes in the fair value of debt instruments at fair value through other comprehensive income	–	–	(78)	–	(78)	–	(78)
Currency translation difference	–	–	(47,223)	–	(47,223)	–	(47,223)
Total other comprehensive income	–	–	(47,301)	–	(47,301)	–	(47,301)
Total comprehensive income	–	–	(47,301)	12,022	(35,279)	–	(35,279)
Transactions with owners							
Deemed contribution from China Evergrande Group *(Note 17(c))*	–	–	9,471	–	9,471	–	9,471
Expiry of New Warrants *(Note 17(a))*	–	–	6	(6)	–	–	–
Issue of new shares upon exercise of New Warrants *(Note 17(a))*	11,056	56,207	162	–	67,425	–	67,425
Transfer to statutory reserve *(Note 17(b))*	–	–	3,253	(3,253)	–	–	–
Total transactions with owners	11,056	56,207	12,892	(3,259)	76,896	–	76,896
Balance at 31 December 2020	161,228	4,511,147	46,481	(3,535,688)	1,183,168	–	1,183,168

The notes on pages 55 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(242,995)**	116,581
Interest paid		**(2,679)**	(2,603)
Interest received		**13,218**	26,643
Income tax paid		**(2,362)**	(42,830)
Net cash (used in)/generated from operating activities		**(234,818)**	97,791
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,743)**	(13,901)
Purchase of intangible assets		**(137)**	–
Purchase of financial assets at fair value through profit or loss		**(17,175)**	(3,462)
Proceeds from disposal of subsidiaries		**–**	3,474
Proceeds from disposal of property, plant and equipment		**4**	160
Proceeds from disposal of held-for-trading equity investment		**3,061**	–
Dividend income from financial assets at fair value through profit or loss	24	**8**	–
Dividend income from financial assets at fair value through other comprehensive income	24	**40**	44
Net cash used in investing activities		**(16,942)**	(13,685)
Cash flows from financing activities			
Proceeds from exercise of New Warrants		**67,425**	–
Deemed contributions from China Evergrande Group		**9,471**	–
Repayment of borrowings		**(53,571)**	–
Repayment of principal elements of lease		**(9,748)**	(11,193)
Net cash generated from/(used in) financing activities		**13,577**	(11,193)
Net (decrease)/increase in cash and cash equivalents		**(238,183)**	72,913
Cash and cash equivalents at the beginning of the year		**1,313,301**	1,227,239
Exchange (loss)/gain on cash and cash equivalents		**(44,026)**	13,149
Cash and cash equivalents at end of year		**1,031,092**	1,313,301

The notes on pages 55 to 121 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

HengTen Networks Group Limited (the "Company") was incorporated in Bermuda with limited liability and is engaged in investment holding. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company and its subsidiaries (the "Group") are principally engaged in internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products, investment and trading of securities and property investment.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

After the outbreak of the Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been adopted nationwide, which has resulted in extensive obstructions on factory productions, and operations of business partners, leading to declines on orders and transaction volume under the Group's internet home furnishing platform, bringing about an adverse effect to the Group's financial position and operating results in the 2020.

These consolidated financial statements are presented in thousands of RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 30 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 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 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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 2020:

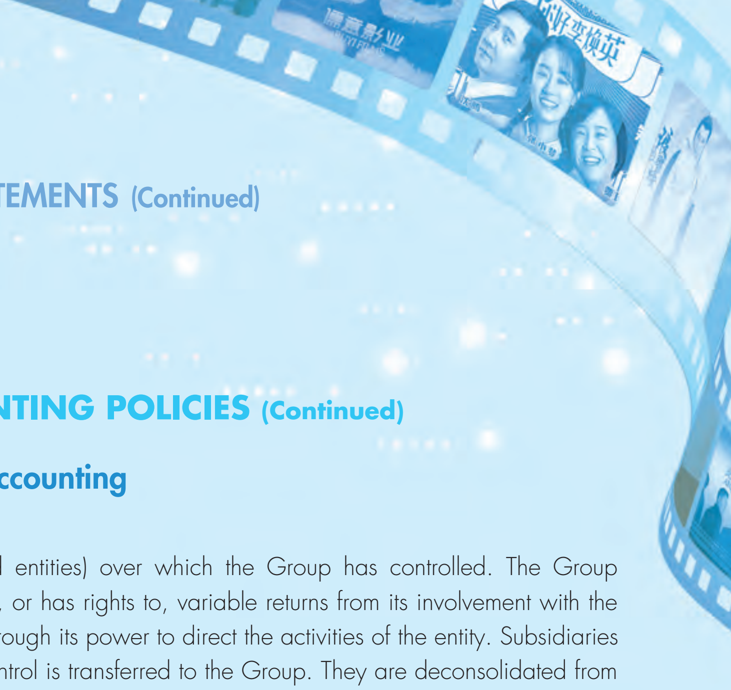
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Revised Conceptual Framework for Financial Reporting	

The adoption of the above new and amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3	Business Combinations — Reference to Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of Financial Statements on Classification of Liabilities	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has controlled. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the presentation currency of the Company. The functional currency of the Company is HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains — net.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of lease term and useful life
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5–10 years
Network equipment	3 years
Motor vehicles	4–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains — net" in profit or loss.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Acquired internet platform

Separately acquired internet platform is shown at historical cost. The platform has a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives of three years.

(b) Internal development costs

Internal costs incurred on development projects (relating to the upgrade of the internet platform) are capitalised as intangible assets when recognition criteria are met:

- it is technically feasible to complete the application so that it will be available for use;
- management intends to complete the application and use or sell it;
- there is an ability to use or sell the application;
- it can be demonstrated how the application will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the application are available; and
- the expenditure attributable to the application during its development can be reliably measured.

Directly attributable costs that are capitalised include employment costs and an appropriate portion of relevant overheads. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives of three years.

Research expenditure and development expenditure that do not meet the capitalisation criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Patent

Separately acquired patent used right is shown at historical cost. The patent has a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives of ten years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains — net and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains- net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains- net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(d) for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

See Note 13 for further information about the Group's accounting for trade receivables and Note 3.1(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and provision of internet platform services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when control of the goods has transferred or services has been rendered in the accounting period for each of the Group's activities, as described below.

Sales of goods
The Group manufactures and sells accessories for photographic and electrical products in wholesale market, and sells building furnishing materials in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

Provision of internet community services
The Group provides an internet platform on which suppliers can exhibit furniture and home appliance products and another internet platform on which suppliers can exhibit building furnishing materials, and the users can access and purchase these products from the platform offered by suppliers. The Group is not the primary obligor, does not bear the inventory risk nor have the ability to establish the price. Upon successful sales, the Group will charge the suppliers a service fee based on the transactions amount. The suppliers are our customers as these suppliers are the primary obligor to provide goods and delivery service to the users and the performance obligation of the Group is to provide matching service for the suppliers. The platform service fee is determined as a percentage of the transaction amount achieved by using the Group's platform and paid by suppliers as commission revenue. The Group acts as an agent in this transaction and recognises revenue when the matching service is completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Interest income

Interest income from financial assets at FVPL is included in net change in fair value of FVPL on these assets, see Note 14 below.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 31). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by HengTen Networks Group Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Foreign exchange risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade and other receivables, bank balances, trade and other payables of the Group are denominated in HK$, United States dollars ("US$"), Euro ("EUR") and RMB, currencies other than the functional currencies of respective group entities. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are approximately as follows:

As at 31 December 2020	**HK$ against RMB RMB'000**	**EUR against HK$ RMB'000**	**RMB against HK$ RMB'000**	**Total RMB'000**
Monetary assets				
— Trade and other receivables	**–**	**42**	**49**	**91**
— Cash and cash equivalents	**2**	**132**	**28**	**162**
	2	**174**	**77**	**253**
Monetary liabilities				
— Trade and other payables	**–**	**–**	**(3,006)**	**(3,006)**

As at 31 December 2019	HK$ against RMB RMB'000	EUR against HK$ RMB'000	RMB against HK$ RMB'000	Total RMB'000
Monetary assets				
— Trade and other receivables	–	45	87	132
— Cash and cash equivalents	2	130	21	153
	2	175	108	285
Monetary liabilities				
— Trade and other payables	–	–	(2,992)	(2,992)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(a) Foreign exchange risk (Continued)

The functional current of the Company and certain subsidiaries is HK$ because their activities are principally conducted in HK$. As at 31 December 2020, there are assets and liabilities of approximately RMB633,770,000 (31 December 2019: approximately RMB706,513,000) and approximately RMB634,000 (31 December 2019: approximately RMB32,000) denominated in US$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

As at 31 December 2020, if HK$ had strengthened/weakened by 5% against all foreign currencies, with all other variables held constant, post-tax profit for the year ended 31 December 2020 and the net assets as at 31 December 2020 would have been increased/decreased by approximately RMB138,000 (for the year ended 31 December 2019: post-tax profit increased/decreased by approximately RMB136,000).

(b) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and certain financial assets at fair value through profit or loss held by the Group, which are traded in the market. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB898,000 (for the year ended 31 December 2019: post-tax profit increase/decrease approximately RMB166,000). Net assets as at 31 December 2020 would increase/decrease by approximately RMB 926,000 (31 December 2019: the net assets increased/decreased by approximately RMB197,000).

(c) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(d) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income and at fair value through profit or loss and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(i) Risk management (Continued)

The Group has significant concentration of credit risk on trade receivables. At 31 December 2020, 39% (31 December 2019: 20%) of the total trade receivables was due from the Group's five largest customers which are sizable and reputable corporations. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk.

(ii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables.

31 December 2020	**Current RMB'000**	**Up to 60 days past due RMB'000**	**Up to 120 days past due RMB'000**	**Up to 180 days past due RMB'000**	**More than 180 days past due RMB'000**	**Total RMB'000**
Expected loss rate	**0.4%**	**2.5%**	**3.7%**	**21.6%**	**51.7%**	
Gross carrying amount	**60,947**	**7,872**	**5,527**	**15,525**	**5,912**	**95,783**
Loss allowance	**244**	**197**	**204**	**3,353**	**3,057**	**7,055**

31 December 2019	Current RMB'000	Up to 60 days past due RMB'000	Up to 120 days past due RMB'000	Up to 180 days past due RMB'000	More than 180 days past due RMB'000	Total RMB'000
Expected loss rate	–	0.1%	2.7%	21.3%	51.0%	
Gross carrying amount	45,466	2,606	520	1,502	10,170	60,264
Loss allowance	–	3	14	320	5,185	5,522

Other financial assets at amortised cost

Other receivables, which mainly included lease receivables, deposit, receivables from disposal of subsidiaries and amounts due from related parties, are measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

For other receivables, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (Stage 1).
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 365 days past due	Lifetime expected losses (Stage 2).
Non-performing	Interest and/or principal repayments are 730 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (Stage 3).
Write-off	There is no reasonable expectation of recovery.	Asset is written off

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. Other receivables are categorised as follows for assessment purpose:

Group 1	Deposits in relation with lease contracts
Group 2	Receivables due from related parties
Group 3	Others

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The Group has assessed that Group 1, Group 2 and Group 3 are on Stage 1 and measured at 12 months expected credit losses method, except for the credit-impaired receivable which moved to stage 3.

As of 31 December 2019 and 2020, the gross carrying amount and loss allowance of other receivables in categories are as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 31 December 2020						
Group 1	**14,898**	**(15)**	**–**	**–**	**–**	**–**
Group 2	**25,137**	**(251)**	**–**	**–**	**–**	**–**
Group 3	**27,309**	**(819)**	**–**	**–**	**1,200**	**(1,200)**
Total	**67,344**	**(1,085)**	**–**	**–**	**1,200**	**(1,200)**
As of 31 December 2019						
Group 1	5,905	–	–	–	–	–
Group 2	6,806	–	–	–	–	–
Group 3	43,242	–	–	–	–	–
Total	55,953	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance for trade and other receivables as at 31 December reconciles to the opening loss allowance as follows:

	Trade receivables RMB'000	**Other receivables** RMB'000	**Total** RMB'000
Balance as at 1 January 2019	7,934	—	7,934
Increase in loss allowance recognised in profit or loss	68	—	68
Receivables written off as uncollectible	(771)	—	(771)
Unused amount reversed	(1,709)	—	(1,709)
Balance as at 31 December 2019	5,522	—	5,522
Increase in loss allowance recognised in profit or loss	4,111	2,285	6,396
Receivables written off as uncollectible	(351)	—	(351)
Unused amount reversed	(2,227)	—	(2,227)
Balance as at 31 December 2020	7,055	2,285	9,340

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Debt investments at fair value through other comprehensive income (FVOCI)

Debt investments at FVOCI are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for the instruments that the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Cash and cash equivalents

Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(e) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from advance receipts and long-term borrowings to meet its operating demands.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Trade payables *(Note 20)*	**8,116**	**–**	**–**	**8,116**
Other payables* *(Note 21)*	**53,553**	**–**	**–**	**53,553**
Lease liabilities *(Note 7)*	**5,584**	**3,740**	**9,122**	**18,446**
Total	**67,253**	**3,740**	**9,122**	**80,115**
At 31 December 2019				
Borrowings	54,728	–	–	54,728
Trade payables *(Note 20)*	15,554	–	–	15,554
Other payables* *(Note 21)*	280,977	–	–	280,977
Lease liabilities *(Note 7)*	14,138	5,888	911	20,937
Total	365,397	5,888	911	372,196

* *Excluding provisions for other taxes.*

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated statements of financial position. Total borrowings includes borrowings and obligations under finance leases.

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total borrowings and lease liabilities	**16,738**	73,696
Total assets	**1,273,241**	1,537,805
Gearing ratio	**1%**	5%

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2020 and 31 December 2019 on a recurring basis:

	Level 1 RMB'000 31 December 2020	Level 1 RMB'000 31 December 2019
Financial assets		
Financial assets at FVPL *(Note 14)*	**17,967**	3,311
Financial assets at FVOCI *(Note 11)*	**553**	631
Total financial assets	**18,520**	3,942

The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the periods.

There were no other changes in valuation techniques during the periods.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Borrowings
- Trade and other payables
- Obligations under finance leases

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade and other receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. Details of the key assumptions and inputs used are disclosed in Note 3.1.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Tax provisions

The Group is subject to turnover and income taxes in the PRC and Hong Kong. Significant judgement is required in determining the tax provision. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. At the end of each reporting period, the Group reassess the provision for turnover and income taxes based on the reported financial results and the estimates of whether additional taxes will be due or any taxes are over or under provided. However where the final tax outcome of these matters is different from the provision amounts that were initially recorded by the Group, such difference will impact the provision in the year in which such determination is made.

(c) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, plants and cars, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at 31 December 2020, potential future cash outflows of nil (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of nil.

5 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 is 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 two business segments: internet community and related businesses 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 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
Revenue	185,470	44,644	230,114
Timing of revenue recognition			
At a point	71,038	44,644	115,682
Over time	114,432	–	114,432
	185,470	44,644	230,114
Segment profit/(loss)	31,100	(3,841)	27,259
Unallocated corporate expenses			(13,598)
Unallocated other income			48
Unallocated other gains			1,873
Unallocated finance income-net			546
Profit before income tax			16,128
Depreciation	12,200	1,515	13,715
Amortisation	894	–	894

5 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss) (Continued)

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	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

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

Segment assets and liabilities as at 31 December 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS			
Segment assets	205,816	13,293	219,109
Unallocated other receivables and prepayments			1,240
FVOCI			553
FVPL			17,967
Deferred tax assets			3,280
Cash and cash equivalents			1,031,092
Consolidated total assets			1,273,241
LIABILITIES			
Segment liabilities	75,434	8,354	83,788
Unallocated other payables			5,365
Current income tax liabilities			920
Consolidated total liabilities			90,073

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

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
FVOCI			631
FVPL			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

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

- all assets are allocated to reportable and operating segments, other than certain other receivables and prepayments, certain right-of-use assets, financial assets at FVOCI, financial assets at FVPL, 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, certain lease liabilities, current income tax liabilities and deferred tax liabilities.

5 SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2020 and 2019.

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 2020 RMB'000	Year ended 31 December 2019 RMB'000
PRC	**193,009**	287,160
Europe	**17,691**	19,386
Hong Kong	**14,030**	21,779
Others	**5,384**	8,975
	230,114	337,300

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 2020 RMB'000	31 December 2019 RMB'000
PRC	**32,744**	31,148
Hong Kong	**2,313**	5,706
	35,057	36,854

5 SEGMENT INFORMATION (Continued)

(e) Liabilities related to contracts with customers

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities — Internet community and related businesses	**4,196**	18,143

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 2020 RMB'000	31 December 2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period — Internet community and related businesses	**18,143**	51,323

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.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2019							
Opening net book amount	–	272	256	1,930	12,130	48	14,636
Additions	–	–	18	775	1,280	11,828	13,901
Currency translation differences	–	133	22	8	(1)	207	369
Transfers	–	–	–	–	–	510	510
Disposals	–	(132)	(1)	(11)	–	–	(144)
Depreciation *(Note 22)*	–	(99)	(74)	(725)	(10,151)	(766)	(11,815)
Closing net book amount	–	174	221	1,977	3,258	11,827	17,457
At 31 December 2019							
Cost	–	1,579	2,474	4,699	49,173	14,437	72,362
Accumulated depreciation	–	(1,405)	(2,253)	(2,722)	(45,915)	(2,610)	(54,905)
Net book amount	–	174	221	1,977	3,258	11,827	17,457
Year ended 31 December 2020							
Opening net book amount	**–**	**174**	**221**	**1,977**	**3,258**	**11,827**	**17,457**
Additions	**–**	**84**	**1,147**	**1,512**	**–**	**–**	**2,743**
Currency translation differences	**–**	**(6)**	**1**	**(7)**	**–**	**(508)**	**(520)**
Disposals	**–**	**–**	**–**	**(10)**	**–**	**–**	**(10)**
Depreciation *(Note 22)*	**–**	**(100)**	**(69)**	**(926)**	**(2,066)**	**(3,171)**	**(6,332)**
Closing net book amount	**–**	**152**	**1,300**	**2,546**	**1,192**	**8,148**	**13,338**
At 31 December 2020							
Cost	**–**	**1,636**	**3,602**	**6,045**	**49,174**	**13,600**	**74,057**
Accumulated depreciation	**–**	**(1,484)**	**(2,302)**	**(3,499)**	**(47,982)**	**(5,452)**	**(60,719)**
Net book amount	**–**	**152**	**1,300**	**2,546**	**1,192**	**8,148**	**13,338**

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Administrative expenses	**4,388**	1,638
Cost of sales	**1,655**	8,311
Selling and marketing expenses	**289**	151
Other expenses	**–**	1,715
	6,332	11,815

7 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Warehouses	**50**	10,970
Property, plant and equipments	**12,902**	5,394
	12,952	16,364
Lease liabilities		
Current	**4,927**	13,471
Non-current	**11,811**	6,654
	16,738	20,125

Additions to the right-of-use assets during the year ended 31 December 2020 were RMB13,341,000 (2019: RMB3,309,000).

7 LEASE (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Depreciation charge of right-of-use assets		
Warehouses	4,126	8,180
Property, plant and equipments	4,190	1,808
	8,316	9,988
Interest expense (included in finance cost)	1,114	1,172
Expense relating to short-term leases (included in selling and marketing costs and administrative expenses)	2,000	2,699

The total cash outflow for leases in 2020 was RMB14,008,000 (2019: RMB15,855,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various warehouses, property, plant and equipments for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of property, plant and equipments leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

8 INTANGIBLE ASSETS

	Acquired internet platform RMB'000	Capitalised development costs RMB'000	Patent RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	811	3,368	2,598	6,777
Amortisation charge *(Note 22)*	(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
Year ended 31 December 2020				
Opening net book amount	**177**	**421**	**2,331**	**2,929**
Additions	**100**	**–**	**37**	**137**
Amortisation charge *(Note 22)*	**(204)**	**(421)**	**(269)**	**(894)**
Closing net book amount	**73**	**–**	**2,099**	**2,172**
At 31 December 2020				
Cost	**2,377**	**10,610**	**2,705**	**15,692**
Accumulated amortisation	**(2,304)**	**(10,610)**	**(606)**	**(13,520)**
Net book amount	**73**	**–**	**2,099**	**2,172**

Amortisation of approximately RMB625,000 and RMB269,000 were included in "cost of sales" and "administrative expenses" (2019: approximately RMB3,581,000 and RMB267,000 were included in "cost of sales" and "administrative expenses") respectively in the consolidated statement of comprehensive income (Note 22).

9 INVENTORIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Raw materials	**566**	431
Work in progress	**100**	124
Finished goods — at cost	**1,036**	2,862
Finished goods — at fair value less cost to sell	**7,138**	26,900
	8,840	30,317

(a) Amounts recognised in the consolidated statement of comprehensive income

Inventories recognised as an expense during the year ended 31 December 2020 amounted to approximately RMB80,238,000 (year ended 31 December 2019: approximately RMB92,001,000). These were included in cost of sales.

Write-down of inventories to net realisable value amounted to approximately RMB444,000 (year ended 31 December 2019: approximately RMB4,266,000). These were recognised as an expense during the year ended 31 December 2020 and included in cost of sales in the consolidated statement of comprehensive income.

The Group reversed write-down of inventories of approximately RMB6,594,000 during the year ended 31 December 2020 (year ended 31 December 2019: approximately RMB17,000).

10 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets	*Notes*	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Financial assets at amortised cost			
Trade and other receivables	*13*	**154,987**	110,695
Cash and cash equivalents	*15*	**1,031,092**	1,313,301
Financial assets at FVOCI			
Investment in unlisted unit trusts	*11*	**553**	631
Financial assets at FVPL			
Equity investments in listed companies	*14*	**17,967**	3,311
		1,204,599	1,427,938

Financial liabilities	*Notes*	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Liabilities at amortised cost			
Borrowings	*18*	**–**	53,571
Trade payables	*20*	**8,116**	15,554
Other payables*	*21*	**45,302**	260,984
Lease liabilities	*7*	**16,738**	20,125
		70,156	350,234

* Excluding accrued expenses and provisions for other taxes.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unlisted unit trusts	**553**	631

Unlisted unit trusts represent investment in funds in the United States. The unlisted unit trust where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(a) Amounts recognised in other comprehensive income

During the year, the following (losses)/gains were recognised in other comprehensive income.

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
(Losses)/gains recognised in other comprehensive income *(Note 17)*	**(43)**	31
Currency translation difference relate to the debt investment recognised in other comprehensive income *(Note 17)*	**(35)**	11
	(78)	42

12 OTHER CURRENT ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Prepayments	**25,428**	32,393
Deductible input value-added tax	**2,632**	3,112
	28,060	35,505
Less non-current portion: prepayments (a)	**(6,595)**	(104)
Current portion	**21,465**	35,401

(a) Non-current portion of prepayments represents the prepayments for the decoration of right-of-use assets.

13 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables — gross		
— Third parties	**95,783**	60,264
Less: allowance for doubtful debts	**(7,055)**	(5,522)
Trade receivables — net	**88,728**	54,742
Other receivables due from		
— Related parties *(Note 32(d))*	**25,137**	6,806
— Other third parties	**43,407**	17,326
— Disposal of subsidiaries	**—**	31,821
Less: allowance for doubtful debts	**(2,285)**	—
Other receivables — net	**66,259**	55,953
Total trade and other receivables	**154,987**	110,695

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
— RMB	**158,884**	76,903
— US$	**5,032**	6,960
— HK$	**369**	32,310
— EUR	**42**	44
	164,327	116,217

13 TRADE AND OTHER RECEIVABLES (Continued)

(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 2020 RMB'000	31 December 2019 RMB'000
Within 60 days	**60,855**	47,018
61 days to 180 days	**8,305**	1,363
Over 181 days	**19,568**	6,361
	88,728	54,742

(c) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Held-for-trading investments	**17,967**	3,311

As at 31 December 2020, held-for-trading investments represented the Group's equity investments in limited partnership and certain Hong Kong listed companies, which were quoted in the Stock Exchange.

The fair value of all equity securities is based on their current bid prices in an active market and the fair values are within level 1 of the fair value hierarchy (Note 3.3).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in consolidated statement of comprehensive income:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Fair value gains/(losses) on equity investments at FVPL recognised in net change in fair value of FVPL *(Note 26)*	**1,665**	(149)

15 CASH AND CASH EQUIVALENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash at bank and in hand:		
— HK$	**88,045**	43,241
— RMB	**314,177**	570,377
— US$	**628,738**	699,552
— Other currencies	**132**	131
	1,031,092	1,313,301

16 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Share capital** RMB'000	**Share premium** RMB'000
At 1 January 2019 and 31 December 2019	74,611,669,087	150,172	4,454,940
Issue of new shares upon exercises of New Warrants	6,191,496,938	11,056	56,207
At 31 December 2020	80,803,166,025	161,228	4,511,147

17 OTHER RESERVES

	Note	Warrants reserve RMB'000 (a)	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance at 1 January 2019		(168)	(254)	18,888	13,914	28,913	1,153	1,152	63,598
Changes in the fair value of debt intruments at FVOCI		–	31	–	11	–	–	–	42
Currency translation difference		–	–	–	10,366	–	–	–	10,366
Transfer to statutory reserves	*(b)*	–	–	–	–	6,884	–	–	6,884
Balance at 31 December 2019		(168)	(223)	18,888	24,291	35,797	1,153	1,152	80,890

	Note	**Warrants reserve RMB'000 (a)**	**Financial assets at FVOCI RMB'000**	**Special reserve RMB'000**	**Capital Surplus RMB'000**	**Translation reserve RMB'000**	**Statutory reserve RMB'000**	**Reserve fund RMB'000**	**Enterprise expansion reserve RMB'000**	**Total RMB'000**
Balance at 1 January 2020		**(168)**	**(223)**	**18,888**	**–**	**24,291**	**35,797**	**1,153**	**1,152**	**80,890**
Changes in the fair value of debt intruments at FVOCI		**–**	**(43)**	**–**	**–**	**(35)**	**–**	**–**	**–**	**(78)**
Currency translation difference		**–**	**–**	**–**	**–**	**(47,223)**	**–**	**–**	**–**	**(47,223)**
Deemed contribution from China Evergrande Group	*(c)*	**–**	**–**	**–**	**9,471**	**–**	**–**	**–**	**–**	**9,471**
Issue of new shares upon exercise of New Warrant		**162**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**162**
Transfer to statutory reserves	*(b)*	**–**	**–**	**–**	**–**	**–**	**3,253**	**–**	**–**	**3,253**
Transfer to accumulated losses upon expiry of New Warrants		**6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
Balance at 31 December 2020		**–**	**(266)**	**18,888**	**9,471**	**(22,967)**	**39,050**	**1,153**	**1,152**	**46,481**

17 OTHER RESERVES (Continued)

(a) New Warrants

	Number of New Warrants	Warrants reserves RMB'000
At 31 December 2019	6,417,899,910	(168)
Issue of new share upon exercise of New Warrants	(6,191,496,938)	162
Expire on 25 October 2020	(226,402,972)	6
At 31 December 2020	—	—

During the year ended 31 December 2020, 6,191,496,938 New Warrants had been exercised by the holders thereof and 6,191,496,938 ordinary shares were issued and allotted by the Company to these holders. The Group received gross proceeds of approximately RMB67,425,000 from such exercise of the New Warrents,among which approximately RMB11,056,000 recognised in share capital, approximately RMB56,207,000 recognised in share premium and approximately RMB162,000 recognised in Warrents reserves.

(b) Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve fund can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(c) The amount represented the director's remuneration and rental expenses born by the group entities, which was deemed as capital contribution by China Evergrande Group.

18 BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Borrowings included in current liabilities:		
Other borrowings — unsecured	–	53,571

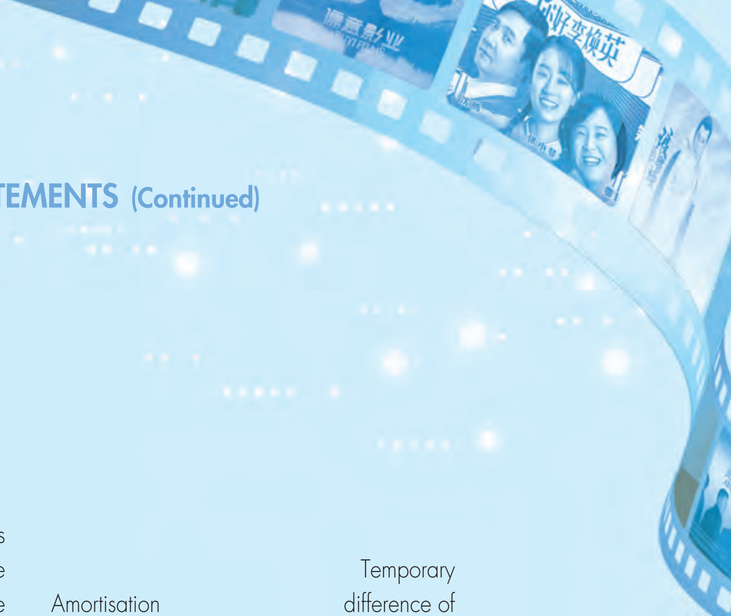
The unsecured other borrowings denominated in HK$ and granted from independent third parties carry fixed interest rate at 5% per annum. The other borrowings have been repayed in 2020.

19 DEFERRED INCOME TAX

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets (a)		
— Deferred tax asset to be recovered over 12 months	3,280	1,542
— Deferred tax asset to be recovered within 12 months	–	5,753
	3,280	7,295

(a) Deferred tax assets

	31 December 2020 RMB'000	31 December 2019 RMB'000
The balance comprises temporary differences attributable to:		
— Tax losses of the subsidiaries in the PRC	–	5,753
— Loss allowance for trade and other receivables	968	47
— Amortisation of intangible assets	1,215	1,359
— Temporary difference of right-of-use assets	1,097	136
	3,280	7,295



19 DEFERRED INCOME TAX (Continued)

(a) Deferred tax assets (Continued)

Movement	Tax losses RMB'000	Loss allowance for trade and other receivables RMB'000	Amortisation of intangible assets RMB'000	Write-down of inventories RMB'000	Temporary difference of right-of-use assets RMB'000	Total RMB'000
At 1 January 2019	16,226	1,755	991	1,215	8	20,195
(Charged)/credited to the consolidated statement of comprehensive income	(10,473)	(1,708)	368	(1,215)	128	(12,900)
At 31 December 2019	5,753	47	1,359	–	136	7,295

Movement	**Tax losses RMB'000**	**Loss allowance for trade and other receivables RMB'000**	**Amortisation of intangible assets RMB'000**	**Temporary difference of right-of-use assets RMB'000**	**Total RMB'000**
At 1 January 2020	**5,753**	**47**	**1,359**	**136**	**7,295**
(Charged)/credited to the consolidated statement of comprehensive income	**(5,753)**	**921**	**(144)**	**961**	**(4,015)**
At 31 December 2020	**–**	**968**	**1,215**	**1,097**	**3,280**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately RMB625,450,000 (31 December 2019: approximately RMB662,324,000) in respect of tax losses amounting to RMB3,996,963,000 (31 December 2019: RMB3,912,040,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB59,315,000 (31 December 2019: approximately RMB61,389,000) arising from the PRC subsidiaries will expire in various dates up to 2025 (31 December 2019: 2024). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities of RMB12,260,000 (31 December 2019: RMB13,345,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled RMB245,204,000 at 31 December 2020 (31 December 2019: RMB266,895,000).

20 TRADE PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables	**8,116**	15,554

Trade payables were denominated in the following currencies:

	31 December 2020 RMB'000	31 December 2019 RMB'000
— RMB	**7,578**	14,278
— HK$	**472**	1,244
— US$	**66**	32
	8,116	15,554

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 60 days	**4,858**	12,472
61 days to 150 days	**2,916**	1,993
Over 151 days	**342**	1,089
	8,116	15,554

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

21 OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Other payables *(i)*	**44,995**	260,439
Accrued expenses	**8,251**	19,993
Provisions for other taxes	**6,550**	3,252
Amount due to related parties *(Note 32(d))*	**307**	545
	60,103	284,229

(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 2020 RMB'000	31 December 2019 RMB'000
— RMB	**57,650**	280,101
— HK$	**2,408**	4,128
— US$	**45**	—
	60,103	284,229

22 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 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cost of inventories sold	**86,388**	87,752
Staff costs *(Note 23)*	**85,567**	108,736
Rental expense	**4,260**	4,662
Depreciation of property, plant and equipment *(Note 6)*	**6,332**	11,815
Depreciation of right-of-use assets *(Note 7)*	**8,316**	9,988
Amortisation of intangible assets *(Note 8)*	**894**	3,848
Research and development expenses	**7,307**	4,861
Software service fee	**7,892**	1,018
Advertising and promotion costs	**9,592**	8,212
Travelling expense	**5,025**	6,936
Legal and professional fees	**3,507**	3,622
Auditors' remunerations		
— Audit services	**2,600**	2,600
— Non-audit services	**3,826**	900
Reversal of provisions and other payables *(a)*	**–**	(5,337)
(Net reversal of write-down)/write-down of inventories	**(6,150)**	4,249

(a) During the year ended 31 December 2020, the Group assessed on the provisions for other taxes and surcharges. Management considered provisions of approximately RMB nill (for the year ended 31 December 2019: approximately RMB5,337,000) were not necessary and determined to reverse the provisions during the year.

23 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Wages and salaries	**74,561**	92,987
Pension costs — statutory pension *(b)*	**1,183**	6,516
Staff welfare	**7,871**	6,389
Medical benefits	**1,952**	2,844
	85,567	108,736

(a) Five highest paid individuals

During the year ended 31 December 2020, nil of the five highest paid individuals are directors (for the year ended 31 December 2019: one). The emoluments of the remaining five (for the year ended 31 December 2019: four) individual employees were as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Salaries and other benefits	**6,836**	6,004
Bonuses	**134**	484
Retirement scheme contributions	**23**	78
	6,993	6,566

The emoluments fell within the following bands:

	No. of employees	
	Year ended 31 December 2020	Year ended 31 December 2019
HK$500,000 to HK$1,000,000	**2**	—
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**—**	—
HK$3,500,001 to HK$4,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**—**	—
	5	4

23 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Gross scheme contributions	**1,183**	6,516

24 OTHER INCOME

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Subleasing income	**8,069**	2,125
Income from network equipment usage and maintenance service *(Note 32(b))*	**7,327**	7,327
Government grant	**2,429**	450
Dividend income from financial assets at FVOCI	**40**	44
Dividend income from financial assets at FVPL	**8**	—
Sundry income	**579**	378
	18,452	10,324

25 OTHER EXPENSES

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Subleasing expenses	**2,928**	1,774
Cost of network equipment usage and maintenance service	**–**	1,715
	2,928	3,489

26 OTHER GAINS — NET

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Penalty income	**2,948**	–
Net change in fair value of financial assets at FVPL	**1,665**	(149)
Net gains on disposal of subsidiaries	**–**	20,802
Net (losses)/gains on disposal of property, plant and equipment	**(6)**	16
Sundry gains	**567**	446
	5,174	21,115

27 FINANCE INCOME — NET

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Finance costs:		
— Interests expenses on borrowings	**(1,156)**	(2,632)
— Interests expenses on lease liabilities	**(1,114)**	(1,172)
	(2,270)	(3,804)
Finance income:		
— Interest income on saving deposits	**13,218**	26,643
Finance income-net	**10,948**	22,839

28 INCOME TAX EXPENSES

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Current income tax		
— Provision for the year	**(2,364)**	(8,121)
— Adjustments for current income tax of prior years	**2,273**	3,980
Total current income tax expense	**(91)**	(4,141)
Deferred income tax	**(4,015)**	(12,900)
Income tax expenses	**(4,106)**	(17,041)

28 INCOME TAX EXPENSES (Continued)

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 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before income tax	**16,128**	109,114
Tax calculated at the tax rates applicable to profits/(losses) in the respective jurisdictions	**5,439**	20,725
Adjustments for current income tax of prior years	**(2,273)**	(3,980)
Adjustments for previously recognised tax losses and timing differences	**(231)**	(7,569)
Income not subject to tax	**(207)**	(4,930)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**2,549**	13,613
Reversal of provisions and other payables not subject to tax	**–**	(1,343)
Expenses not deductible for tax purposes	**1,753**	721
Utilisation of tax losses previously not recognised	**(1,065)**	(196)
Utilisation of temporary differences previously not recognised	**(1,859)**	–
	4,106	17,041

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 2020 (year ended 31 December 2019: 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 2020 (for the year ended 31 December 2019: 15%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

29 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 2020	Year ended 31 December 2019
Profit attributable to owners of the Company (RMB'000)	**12,022**	90,065
Weighted average number of ordinary shares in issue (thousands)	**80,613,994**	80,571,604
Basic earnings per share (RMB fen per share) for the year	**0.0149**	0.1118

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the years ended 2020 and 2019 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 2020	Year ended 31 December 2019
Profit attributable to owners of the Company (RMB'000)	**12,022**	90,065
Weighted average number of ordinary shares in issue (thousands)	**80,613,994**	80,571,604
Adjustments for:		
— Share warrants (thousands)	**—**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**80,613,994**	80,571,604
Diluted earnings per share (RMB fen per share) for the year	**0.0149**	0.1118

29 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

The computation of 2020 diluted earnings per share does not assume the exercise of the Company's share warrants since all of the share warrants has been exercised during the year ended 31 December 2020.

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

30 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before income tax	**16,128**	109,114
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**6,332**	11,815
Depreciation of right-of-use assets *(Note 7)*	**8,316**	9,988
Amortisation of intangible assets *(Note 8)*	**894**	3,848
Net change in fair value of financial assets at FVPL *(Note 14)*	**(1,665)**	149
Net impairment losses/(reversal of impairment losses) on financial assets *(Note 3.1(d))*	**4,169**	(1,641)
Dividend income from financial assets at FVPL *(Note 24)*	**(8)**	—
Dividend income from financial assets at FVOCI *(Note 24)*	**(40)**	(44)
Net losses/(gains) on disposal of property, plant and equipment *(Note 26)*	**6**	(16)
Net gains on disposal of subsidiaries *(Note 26)*	**—**	(20,802)
Finance income — net *(Note 27)*	**(10,948)**	(22,839)
Changes in working capital:		
Inventories	**21,477**	12,802
Trade receivables	**(49,079)**	11,918
Other receivables and prepayments	**13,936**	(21,838)
Trade payables	**(7,438)**	(9,111)
Contract liabilities	**(13,947)**	(33,180)
Other payables	**(231,128)**	66,418
Cash (used in)/generated from operations	**(242,995)**	116,581

30 CASH FLOW INFORMATION (Continued)

(b) Net asset reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash and cash equivalents	**1,031,092**	1,313,301
Liquid investments *(i)*	**17,967**	3,311
Lease liabilities — repayable within one year	**(4,927)**	(13,471)
Lease liabilities — repayable after one year	**(11,811)**	(6,654)
Borrowings — repayable within one year	**–**	(53,571)
Net asset	**1,032,321**	1,242,916
Cash and liquid investments	**1,049,059**	1,316,612
Gross debt — fixed interest rates	**(16,738)**	(73,696)
Net asset	**1,032,321**	1,242,916

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

	Other assets		Liabilities from financial activities						
	Cash RMB'000	Liquid investments *(i)* RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net asset as at 1 January 2019	1,227,239	–	(11,400)	(17,479)	–	–	–	(52,632)	1,145,728
Cash flows	72,913	3,462	11,193	–	–	–	–	–	87,568
Acquisition-leases	–	–	(2,075)	(1,234)	–	–	–	–	(3,309)
Foreign exchange adjustments	13,149	(2)	755	115	–	–	(939)	–	13,078
Other non-cash movements	–	(149)	(11,944)	11,944	–	–	(52,632)	52,632	(149)
Net asset as at 31 December 2019	1,313,301	3,311	(13,471)	(6,654)	–	–	(53,571)	–	1,242,916

30 CASH FLOW INFORMATION (Continued)

(b) Net asset reconciliation (Continued)

(i) (Continued)

	Other assets		Liabilities from financial activities						
	Cash RMB'000	Liquid investments (i) RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net asset as at 31 December 2019	1,313,301	3,311	(13,471)	(6,654)	–	–	(53,571)	–	1,242,916
Cash flows	(238,183)	14,114	9,748	–	–	–	53,571	–	(160,750)
Acquisition-leases	–	–	(2,242)	(11,099)	–	–	–	–	(13,341)
Foreign exchange adjustments	(44,026)	(1,123)	5,381	183	–	–	–	–	(39,585)
Other non-cash movements	–	1,665	(4,343)*	5,759	–	–	–	–	3,081
Net asset as at 31 December 2020	1,031,092	17,967	(4,927)	(11,811)	–	–	–	–	1,032,321

* The other non-cash movements mainly included lease liabilities of RMB5,759,000 transferred from the non-current portion, net of lease liabilities of RMB1,416,000 derecognised arising from the early termination of relevant lease contracts.

31 COMMITMENTS

(a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Not later than one year	**403**	1,441

32 RELATED PARTY TRANSACTIONS

The Group is controlled by China Evergrande Group ("Evergrande"), which owns indirectly 56% of the Company's shares. Mount Yandang Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited, owns approximately 19% of the shares and the remaining 25% of the shares are widely held. The ultimate holding company of the Company is Evergrande. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

In addition to those disclosed elsewhere in the financial statements, during the years ended 31 December 2020 and 2019, the Group had the following significant transactions and balances with related parties, which are carried out in the normal course of the Group's business:

(a) Name and relationship with related parties

Name	Relationship
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest
Evergrande	Ultimate holding company
Evergrande Internet Financial Services (Shenzhen) Co., Ltd. ("恒大互聯網金融服務(深圳)有限公司")	A subsidiary of Evergrande
Guangzhou Jiasui Property Co., Ltd. ("廣州市佳穗置業有限公司")	A subsidiary of Evergrande
Hengda Intelligent Technology (Shenzhen) Co., Ltd. ("恒大智慧科技(深圳)有限公司")	A subsidiary of Evergrande
Shenzhen Evergrande Materials and Equipment Co., Ltd. ("深圳恒大材料設備有限公司")	A subsidiary of Evergrande
Evergrande Jinbi Property Management Co.,Ltd. ("金碧物業集團有限公司")	A subsidiary of Evergrande

32 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
(i) Rental expenses:		
Guangzhou Jiasui Property Co., Ltd.	**2,083**	2,083
Mascotte Investments Limited	**1,286**	1,263
	3,369	3,346

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
(ii) Property Management Expenses:		
Evergrande Jinbi Property Management Co.,Ltd.	**403**	403

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
(iii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	**7,327**	7,327

(c) Key management compensation

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Key management compensation		
— Salaries and other employee benefits	**3,686**	3,867

32 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

As at 31 December 2020 and 2019, the Group had the following significant balances with related parties:

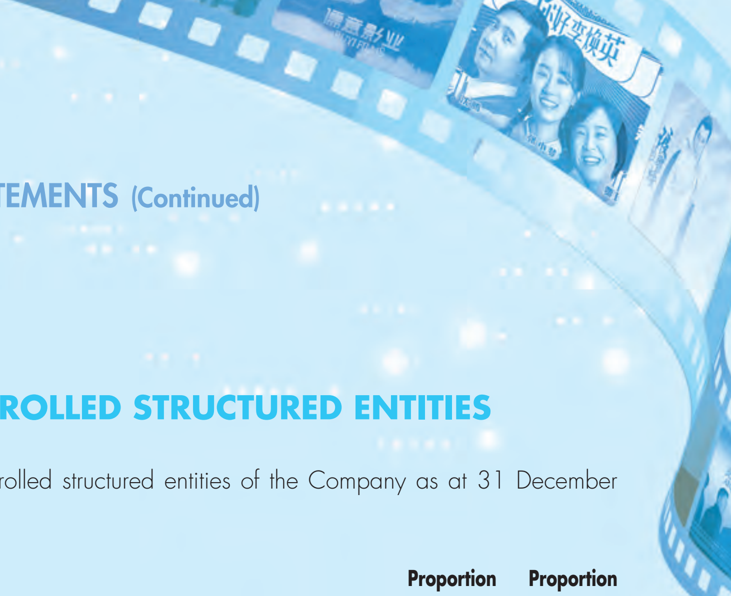
	31 December 2020 RMB'000	31 December 2019 RMB'000
Due from related parties:		
— Shenzhen Evergrande Materials and Equipment Co., Ltd. *(i)*	**11,964**	—
— Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	**7,280**	2,070
— Hengda Intelligent Technology (Shenzhen) Co., Ltd. *(i)*	**4,736**	4,736
— Guangzhou Jiasui Property Co., Ltd.	**1,157**	—
	25,137	6,806

	31 December 2020 RMB'000	31 December 2019 RMB'000
Due to related parties :		
— Evergrande Jinbi Property Management Co.,Ltd. *(ii)*	**307**	—
— Guangzhou Jiasui Property Co., Ltd. *(ii)*	**–**	496
— A key management personnel *(iii)*	**–**	49
	307	545

(i) Amounts due from related parties mainly represented the payment of expenses on behalf of the related parties, which are unsecured, interest-free and receivable on demand.

(ii) Amounts due to related parties mainly represented the property management fee payable, rental fee payable and payments of expenses by the ultimate holding company on behalf of the Group, which are unsecured, interest-free and repayable on demand.

(iii) Amounts due to a key management personnel were unsecured, interest-free and repayable on demand.



33 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2020:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
Power Wave Holdings Limited	BVI	Investment holding, BVI	US$1	100%	100%
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited ("馬斯葛德雅(東莞)皮具製品有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	–	100%
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	–	100%
Mascotte Dongguan Electrical Accessories Limited ("馬斯葛(東莞)電子配件有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$1,500,000	–	100%
Shenzhen HengTen Networks Services Co., Limited. ("深圳市恒騰網絡服務有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	US$15,000,000	–	100%
Shenzhen HengTen Networks Limited ("深圳市恒騰網絡有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	–	–	100%
Shenzhen HengTen Building Materials E-commerce Co., Limited. ("深圳市恒騰材料電子商務有限公司") *(i)*	The PRC, limited liability company	Internet community service and related business, the PRC	–	–	100%
Xingluo Technology Co., Limited. ("星絡科技有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	RMB100,000,000	–	100%

(i) The names of the companies represent management's best efforts of translating the Chinese names of these companies as no English names have been registered or available.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**75,008**	79,696
Right-of-use assets		**–**	1,971
Deferred tax asset		**–**	4
		75,008	81,671
Current assets			
Amounts due from subsidiaries		**67,204**	70,572
Other receivables and prepayments		**1,240**	1,793
Cash and cash equivalents		**688,583**	734,364
Financial assets at fair value through profit or loss		**5,416**	—
		762,443	806,729
Total assets		**837,451**	888,400
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**161,228**	150,172
Share premium	*(a)*	**4,511,147**	4,454,940
Other reserves	*(a)*	**(16,134)**	35,683
Accumulated losses	*(a)*	**(3,824,198)**	(3,812,797)
Total equity		**832,043**	827,998
LIABILITIES			
Non-current liabilities			
Lease liabilities		**–**	751
Current liabilities			
Lease liabilities		**–**	1,239
Borrowings		**–**	53,571
Other payables and accruals		**5,408**	4,841
Total liabilities		**5,408**	60,402
Total equity and liabilities		**837,451**	888,400

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2021 and was signed on its behalf.

Xu Wen
Director

Huang Xiangui
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Warrants reserve RMB'000	Contributed surplus RMB'000	Translation Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	4,454,940	(168)	63,481	(42,158)	(3,817,635)	658,460
Profit for the year	–	–	–	–	4,838	4,838
Currency translation difference	–	–	–	14,528	–	14,528
At 31 December 2019	4,454,940	(168)	63,481	(27,630)	(3,812,797)	677,826
At 1 January 2020	**4,454,940**	**(168)**	**63,481**	**(27,630)**	**(3,812,797)**	**677,826**
Loss for the year	**–**	**–**	**–**	**–**	**(11,401)**	**(11,401)**
Issue of new shares upon exercise of New Warrants	**56,207**	**162**	**–**	**–**	**–**	**56,369**
Expiry of New Warrants	**–**	**6**	**–**	**–**	**–**	**6**
Currency translation difference	**–**	**–**	**–**	**(51,985)**	**–**	**(51,985)**
At 31 December 2020	**4,511,147**	**–**	**63,481**	**(79,615)**	**(3,824,198)**	**670,815**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of directors of the Company for the year ended 31 December 2020 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Xu Wen	**180**	**–**	**–**	**–**	**9**	**–**	**189**
Chau Shing Yim, David	**300**	**–**	**–**	**–**	**–**	**–**	**300**
Nie Zhixin	**300**	**–**	**–**	**–**	**–**	**–**	**300**
Chen Haiquan	**300**	**–**	**–**	**–**	**–**	**–**	**300**
Shi Zhuomin	**300**	**–**	**–**	**–**	**–**	**–**	**300**
Huang Xiangui	**180**	**–**	**–**	**–**	**9**	**–**	**189**
Liu Yongzhuo(i)	**88**	**–**	**–**	**–**	**4**	**–**	**92**
Wan Chao(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Zhuo Yueqiang(iii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	1,648	**–**	**–**	**–**	**22**	**–**	**1,670**

The remuneration of directors of the Company for the year ended 31 December 2019 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Xu Wen	180	3,942	7,486	–	9	–	11,617
Chau Shing Yim, David	300	–	–	–	–	–	300
Nie Zhixin	300	–	–	–	–	–	300
Chen Haiquan	300	–	–	–	–	–	300
Shi Zhuomin	300	–	–	–	–	–	300
Huang Xiangui	180	–	–	–	9	–	189
Liu Yongzhuo	180	–	–	–	9	–	189
Zhuo Yueqiang	–	–	–	–	–	–	–
	1,740	3,942	7,486	–	27	–	13,195

During the Year, no individual has held the position of chief executive in the Company.

35 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

(i) Mr. Liu Yongzhuo has been resigned as an executive director and the chairman of the Board of the Company with effect from 26 June 2020.

(ii) Mr. Wan Chao has been appointed as an executive Director of the Company with effect from 16 June 2020.

(iii) Mr. Zhuo Yueqiang has resigned as an executive Director of the Company with effect from 16 June 2020.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2020 (for the year ended 31 December 2019: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2020, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2019: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

For the year ended 31 December 2020, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2019: nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

36 SUBSEQUENT EVENT

On 20 January 2021, the Group acquired 100% of the issued shares in Virtual Cinema Entertainment Limited and its subsidiaries, a producer of film and TV programme and owner of an leading online streaming platform-"Pumpkin Film", for consideration of HK$7,200,000,000. The settlement method was (i) shares with an issue price of HK$0.30 per share with a total value of approximately HK$3,462,993,000; and (ii) shares with an exercise price of HK$0.096 per warrant share of approximately HK$3,737,007,000.

The financial effects of this transaction have not been recognised at 31 December 2020. The operating results and assets and liabilities of the acquired group will be consolidated from 20 January 2021.

FIVE YEARS FINANCIAL SUMMARY

The summary of results, assets and liabilities of the Group for last five financial years (extracted from published audited financial statements) is set forth as follows.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000 (Restated)
Turnover	**230,114**	337,300	499,419	261,750	113,918
Profit before tax	**16,128**	109,114	146,117	123,884	4,328
Income tax (charge)/credit	**(4,106)**	(17,041)	(20,861)	(31,032)	257
Profit for the year	**12,022**	92,073	125,256	92,852	4,585
Attributable to					
Owners of the company	**12,022**	90,065	124,496	96,216	4,307
Non-controlling interests	**–**	2,008	760	(3,364)	278
	12,022	92,073	125,256	92,852	4,585

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)
ASSETS AND LIABILITIES					
Total assets	**1,273,241**	1,537,805	1,431,983	1,205,764	982,926
Total liabilities	**(90,073)**	(396,254)	(389,342)	(324,709)	(149,634)
Net assets	**1,183,168**	1,141,551	1,042,641	881,055	833,292
Equity attributable to owners of the Company	**1,183,168**	1,141,551	1,041,078	880,252	829,125
Non-controlling interests	**–**	–	1,563	803	4,167
	1,183,168	1,141,551	1,042,641	881,055	833,292

Note: The information for the year ended 31 December 2016 set out in above five years financial summary has been restated to reclassify the performance of solar grade polycrystalline silicon operation as discontinued operations and has been restated due to change in presentation currency