恒腾网络集团
hengten networks group

HENGTEN NETWORKS GROUP LIMITED
恒 騰 網 絡 集 團 有 限 公 司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

ANNUAL REPORT
2016

CONTENTS

CORPORATE INFORMATION

Set out below is the corporate information of HengTen Networks Group Limited as at the date of this report (i.e. 21 March 2017):

DIRECTORS

Executive Directors

Ms. Zhang Xiaohua *(Chairlady)*
Mr. Liu Yongzhuo
Mr. Huang Xiangui
Mr. Zhuo Yueqiang

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)*
Ms. Zhang Xiaohua
Mr. Nie Zhixin

Nomination Committee

Ms. Zhang Xiaohua *(Chairlady)*
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

Suites 1501-07
One Pacific Place
88 Queensway
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 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

WEBSITE ADDRESS

http://www.htmimi.com

DATE OF REPORT

21 March 2017

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 2016.

BUSINESS REVIEW

Internet Community Services

During the year ended 31 December 2016, the Group conducted its internet community services business in communities across China, and turnover of approximately HK$37.2 million was recorded for such segment, including revenue from internet home sector of approximately HK$31.0 million, revenue from community resource sector of approximately HK$2.9 million, and revenue from community finance sector of approximately HK$3.3 million.

Cost of internet community services business represented mainly labour costs and depreciation. Gross profit margin of such segment was approximately 53.0%. After deducting distribution cost, administrative expense and other expense of approximately HK$13.7 million, and adding income from usage and maintenance services for network equipment of approximately HK$2.3 million, the segment recorded profit of approximately HK$8.3 million.

(I) Market Overview

As Li Keqiang, Premier of the State Council, pointed out when reporting on the government work for 2017, the year 2016 was a year of further promotion of the "Internet +" Action and China's big data strategy. With the implementation of the "Internet +" Action, the role of the internet in supporting public entrepreneurship and widespread innovation has been further enhanced, and the internet industry has become a new advantage and new driving force for economic and social development. As for the community, it was reflected in the rapid development of community O2O industry.

According to an Enfodesk report, in 2016 the overall size of the PRC community O2O reached RMB255.97 billion, an increase of 52.9% over last year. It is expected that by 2018 the size of the PRC O2O market will be close to RMB500 billion and maintain a high growth rate. This means that the future of China's community O2O has the potential to be a trillion-level blue ocean market.

Under this market environment, the Group recorded fast and steady growth in 2016.

As an integrated internet community services and resources operator jointly controlled by China Evergrande Group ("China Evergrande") (HK.3333) and Tencent Holdings Limited ("Tencent") (HK.0700), the Group aims to adopt the platform operation model of light assets. In light of the needs of property owners, the Group will continue to introduce resources of the best service provider in various industries to provide property owners with one-stop intelligent life experience covering clothing, food, accommodation, transportation and entertainment, so as to lower their living cost and improve service efficiency.

Each of the two substantial shareholders of HengTen Networks has huge influence in their respective industries. In 2016, China Evergrande was ranked among Top 500 in the world and became the largest property developer in the world, owning over 600 property projects across China. At the same time, Tencent, an internet giant, recorded continuous growth of user number. By the third quarter of 2016, the total number of monthly active accounts of QQ, Weixin and WeChat of Tencent reached 1,723 million.

Leveraging the community size and property management advantages of China Evergrande and technical support from Tencent, the Group continued to expand and diversify the functions of its products to explore a broader space for development, by relying on three fundamental sectors being property services, neighbourhood social networking and life services, two value-added sectors being Internet home and community finance, and multi-function service sector which might be derived in the future.

2016 was a crucial year for the internet community services business development of HengTen Networks. During the year, the Group's various internet community services business became larger in size and finer in quality. At the same time as further developing its community business, its business model also became more mature, paving the way for the next community expansion.

(II) Business Development

The integrated community O2O platform developed by the Group – the HengTen Mimi App, carries out business in three fundamental sectors, being property services, neighbourhood social networking and life services, and is also connected to community finance business. The internet home business also picked up a very strong momentum and has covered more than 100 communities. A thriving ecosphere with full participation by property owners, property managers and suppliers has been established. In view of this, the Board is of view that the innovative "Internet +" community ecosphere developed by the Group has become increasingly mature.

1. Fundamental Sectors

Currently the fundamental sectors have been built and continued to be optimized and upgraded. In 2016, the Group focused on both products and services. On one hand, it continued to diversify the functions of its products to maximize resource allocation; on the other hand, it focused on improving customer experience and service quality by concentrating on scene experience and interaction. As a result, open community O2O ecosphere has been developed filled with sharing. The demand for better quality in consumption areas such as basic necessities of life and entertainment of modern people have driven the services provided by the relevant industries to become more intelligent, more efficient and with higher quality. At the end of 2016, 14 upgrades were completed for HengTen Mimi App. The number of functions in the latest version 2.9.85 was increased to 53, and the development of its main functions has been basically completed, with a comprehensive coverage of clothing, food, accommodation, transportation, entertainment, finance and other fields.

At the same time, the Group continued to develop business and conducted pilot runs in a total of 12 communities in the first batch of pilot cities including Guangzhou, Shenyang, Shijiazhuang, Jinan, Luoyang, Wuhan, Changsha, Nanchang and Chengdu, pushing the upgrading and optimisation of the HengTen Mimi platform to meet the needs of the market. The Group has accumulated valuable experience for its nationwide strategic planning in the future.

As at the end of 2016, the HengTen Mimi App had a total of nearly 260,000 registered users, with pilot community property owner authentication ratio of 93.8%, monthly activity ratio of 41%, and App function usage coverage ratio of 98%.

(1) Property Services

The establishment of a smart community is a shared vision of the Group and property owners. Starting with putting in place hardware and software and leveraging online and off-line interaction, the Group aims to provide property owners with intelligent scenario solutions so as to achieve a digital, networked, intelligent, interactive and coordinated community life for property owners and make their community life smarter, happier, safer and more harmonious.

The Group always strives to understand the real needs of property owners and provide them with more intelligent property services. Currently the property-related services of HengTen Mimi include services such as online payment of property management fees, reporting for repair and community broadcasting. In particular, the reporting function covers three types of services including home decoration repair and reporting, public area repair reporting and voices of property owners, and the completion rate for repair reporting orders reached 90.9%. HengTen Mimi connects online and off-line property services to fully meet the needs of property owners for their daily highly-demanded property services and improve the efficiency and quality of property services.

In addition, the Group developed all-round intelligent communities by introducing intelligent access control and intelligent parking system at pilot communities, which enable property owners to unlock access to communities and use the parking lot with mobile phones through combining internet technologies with smart control. The frequency of usage of these two functions of the HengTen Mimi App has been gradually growing. For instance, the authenticated user usage ratio of the intelligent access control system reached 40% and the authenticated user usage ratio of intelligent parking reached 44% just two months after they were launched, which has significantly improved the App usage ratio and its overall activity. At the same time as creating an intelligent life for property owners, it has also successfully strengthened users' trust in platform services, laying a solid foundation for the introduction of additional value-added services in the future.

(2) Neighbourhood Social Networking

The operation of the neighbourhood social networking has basically become mature. The Mimi Social Circle function of the HengTen Mimi App aims to guide users in participating in social activities and sharing their life, by way of leveraging existing community relationship, a series of online and off-line activities and functions such as photo wall, voting, occupation certification and treasure hunt competition, using such to tap into community life, develop user habits and develop interest groups. This not only has helped the establishment of a harmonious and healthy neighbourhood and community, but also has accumulated a large number of active users for the Group, paving the way for the development of community sharing economy model.

The newly introduced Neighbourhood Market function encourages property owners to realize recycling of idle items against a social backdrop. Through branding upgrade, safety upgrade and service upgrade, it strives to establish a platform for exchange of idle items between property owners, which not only meets the mainstream of sharing economy, but also helps property owners to realize light asset life and an environmental-friendly new lifestyle by upgrading the experience of idle item exchange.

(3) Life Services

The life services sector is built upon the living and consumption scenes of property owners. It introduced a number of high-quality service providers to provide services for the convenience of users such as home cleaning, door-to-door laundry, housekeepers and nannies, smart delivery cabinet, mobile phone account recharging and traffic violation enquiries. It continued to expand the product offering of electronic goods on its platform in order to provide property owners with products with higher cost performance, more diversified features and better after-sales services.

The Group adheres to its open platform strategy with the internet concept of mutual benefits and win-win. Through cooperation with leading e-commerce platforms in the PRC, the HengTen Mimi App has a shopping mall channel supplying customised products covering more than 10 categories including cosmetics, food and beverage, daily necessities, mobile phones and digital products, and maternal and baby products, which can effectively meet all kinds of needs of property owners at multiple levels. Further, HengTen Mimi joined hands with well-known tourism business platforms to provide products and services such as air tickets, train tickets, international and domestic tourism services, hotel accommodations and attractions tickets, and cooperated with car-hailing platforms to provide car services.

In addition to the cooperation with renowned enterprises, the Group also continued to enhance its cooperation with high-quality merchants around the communities and developed the Community Business Circle function, which provides property owners with additional online choices for discounts and enables them to effectively reduce the cost of living and improve the quality of life.

2. Value-added Sectors

(1) Internet Home

In 2016, the Group was committed to developing "one-stop" internet home services and such business sector recorded a revenue of HK$31 million. The Group has finished the third upgrade of business model and development of supporting system for such business and provides a variety of packages and products to meet the diversified and multi-level needs of property owners for home services.

The Group adopted a model of "online exhibition at shopping mall platform, and off-line experience at sample rooms of property projects" and conducted demonstrations online through PCs and Weixin and exhibitions off-line through decorated sample rooms built at property projects. Users can place orders through the online platform with just one click. During the year, the online platform of internet home business experienced many upgrades, and home services were fully improved with customised experience through online and off-line interactions. For instance, the Group offers "new properties with move-in condition" to over 100 communities in most provinces and cities in the PRC, which were widely welcomed by property owners. In addition, the "new properties with move-in condition" design project packages and services for tourism resorts and apartment communities were also under development.

The Group has also set up a "home alliance" with leading home appliance branded suppliers and well-known e-commerce platforms in the PRC, and provided training to their national distributors and helped them to establish local sales, logistics and after-sales networks. By effectively supplementing online services with local services, product quality is expected to be ensured, and service quality and customer satisfaction are expected to be improved.

(2) Community Finance

By incorporating community finance services into life scenarios to meet the real needs of community residents, the Group will realize the effective combination of finance services with non-finance services. In 2016, the Group launched "Ye Zhu Bao", one of its "Enjoy Life" wealth management product series. The product recorded a total sales of HK$90 million in face value for just two tranches of online offering. The launch of the product shows strong innovations. It not only provided property owners with high-quality community finance products and recorded strong performance, but also helped property management companies to raise the pre-payment and payment ratio of property management fees.

The Group conducted one-stop consolidation of its community scenes on a horizontal basis and strived to expand the life cycle of community finance products on a vertical basis, in an effort to cover the different needs of property owners. By making full use of its advantages in online platforms and off-line channels, the Group partnered with well-known banks to provide internet lending business. Featured by low thresholds for application and fast approval process, such business provides users with convenient "one-stop" lending services, which has been highly recognised by users and enriched the diversity of financial service scenes.

3. Derivative Sectors

Second-hand Properties Business

The General Office of the State Council issued Certain Opinions on Accelerating the Development of the Residential Property Lease Market in June 2016 to promote the development of the residential property lease market. By following national policies and fully leveraging its existing various high-quality services and the trust of property owners, the Group launched the business pilot for lease and sale of second-hand properties in September 2016 in order to explore a business model of lease and sale of second-hand properties which possesses its own characteristics and effectively meets market needs.

Currently the new semi-managed model of lease and sale of second-hand properties has become increasingly concise. At pilot communities, property owners have entrusted their properties to HengTen Networks to act as their agent, and HengTen Networks has obtained most of the property resources at the pilot communities.

With regard to the proceeds from the issue of shares by the Company in October 2015, as at 31 December 2016, approximately HK$100 million of which had been utilised in accordance with the uses set out in the announcement of the Company dated 23 September 2016. For the following reasons, (1) in respect of research and development, in order to maintain the innovativeness and reliability of the internet community service platform independently developed by the Company, the Company has been making investment in research and development gradually in accordance with the actual progress; (2) in respect of implementation, as the marketing of the platform requires a long period of planning, it is still at the planning stage and no expense has been incurred; and (3) in respect of acquisitions of and investments in selected service providers, the Company is still identifying suitable target companies, there is a delay in the implementation of business plan. In respect of a certain portion of the unutilised proceeds, in order to preserve the capital, and having considered that funds should not be staying idle during the delay period and the interests of all shareholders, the Company does not rule out the possibility of utilising such funds to purchase certain combination of investment-grade bonds issued by government or corporations with stable returns, relatively low risk and high liquidity in the secondary market in order to earn interest income. Further announcement(s) will be made by the Company in respect of the purchase of bonds as and when appropriate or in accordance with the requirements of the Listing Rules.

Manufacture and sales of accessories

The segment's turnover decreased from approximately HK$101.0 million for the nine months ended 31 December 2015 to approximately HK$92.4 million for the year ended 31 December 2016, representing a decrease of approximately 8.6%. It was mainly due to a decrease in demand in photographic market and absence of the repeated significant order from a new customer acquired during the nine months ended 31 December 2015.

Due to absence of relatively low margin of the above-mentioned significant order from a new customer, the gross profit margin of the segment increased from approximately 26.8% for the nine months ended 31 December 2015 to 36.9% for the year ended 31 December 2016. With the decrease in selling and marketing costs and the reversal of the provision, the segment maintained a profit of approximately HK$2.0 million for the year ended 31 December 2016 as compared with a profit of approximately HK$2.1 million for the nine months ended 31 December 2015.

Investments

The segment turned loss of approximately HK$23.6 million for the nine months ended 31 December 2015 to a profit of approximately HK$4.2 million for the year ended 31 December 2016. The profit for the year ended 31 December 2016 was mainly attributable to a net unrealised gain from fair value change in held-for-trading investments in securities of approximately HK$1.2 million and dividend income generated from held-for-trading investments in securities and available-for-sale financial assets of approximately HK$2.9 million and HK$0.07 million, respectively.

Details of significant investment in the shares of other listed companies held by the Group as at 31 December 2016 are as follows:

Stock Code	Stock Abbreviation	Fair Value as at 31 December 2015	Number of shares held	Fair Value as at 31 December 2016	Gains/(losses) during the year ended 31 December 2016	Accounting Items
		HK$'000		HK$'000	HK$'000	
939	CCB	10,620	2,000,000	11,940	1,320	Financial assets at fair value through profit or loss
2800	TRACKER FUND	22,100	1,000,000	22,100	–	Financial assets at fair value through profit or loss
3988	BANK OF CHINA	17,300	5,000,000	17,200	(100)	Financial assets at fair value through profit or loss
Total		50,020	–	51,240	1,220	–

Note: "Gains/(losses) during the year ended 31 December 2016" in the above table refers to the impact of related securities investment on net change in the fair value of the financial assets at fair value through profit or loss in the consolidated statement of comprehensive income of the Group during the year ended 31 December 2016.

Loan financing

During the year ended 31 December 2016, no new loan was granted and therefore no interest income was generated for this segment (nine months ended 31 December 2015: nil).

Property investment

During the year ended 31 December 2016, rental income of approximately HK$0.8 million was generated.

With the decrease in fair value of investment properties as at 31 December 2016 as compared to 31 December 2015, a fair value loss of approximately HK$1.6 million was recognised during the year ended 31 December 2016. The decrease in fair value was mainly due to the decrease in the market price of the investment properties.

PROSPECTS

Internet Community Services

Building on its extensive product features the development of which have been basically completed, the Group will further explore value-added services to optimise its business model in 2017. It will further improve community scenes and continue to innovate. It will also expand the scope of pilot programs and increase their scale in the future.

(I) Product Development Plan

In 2017, the Group will continue to improve the community service functions of HengTen Mimi and further carry out property, e-commerce and finance business in order to improve the profitability of the platform. For internet home, the Group will further enhance its business model of "new properties with move-in condition" for existing property owners, and complete the upgrade of the platform to comprehensively improve the online and off-line shopping experience for property owners.

1. Fundamental Sectors

As pointed out in the government work report for 2017, the government will "promote accelerated application of big data, cloud computing, and the Internet of Things, and facilitate the reform of the production, management and marketing models of traditional industries with new technologies, new business forms and new models". The development of an intelligent community is strongly in line with this policy.

The Group will continue to promote the pilot development of intelligent community, enhance intelligent management of communities, improve the connection between basic community services and intelligent services, and continue to boost the satisfaction of property owners, in order to develop HengTen Mimi into a tool providing property owners with high-quality property services and a life service tool most trusted by property owners.

In addition, the Group will conduct in-depth analysis of the daily needs and habits and preferences of property owners for basic necessities, and will carefully select high-quality service providers and continue to introduce high-quality services in areas such as health, education and medical services, in order to realise full service coverage for users and improve the convenience of property owners and customer loyalty to the platform.

2. Value-added Sectors

(1) Internet Home

In 2017, the Group will conduct in-depth exploration of property owners' needs of home products, rigorously select products and brands and gradually launch supplementary products such as home decorations, small furniture for storage and high-quality customized products on its internet home platform, so that all kinds of home products can be bought online "one-stop" at its platform to realise an upgrade of the depth and scope of services.

In addition, the Group will also further develop engineering projects of "new properties with move-in condition", and organize with national top design teams to develop diversified engineering projects of "new properties with move-in condition" such as elderly care, SOHO office, variable space and resort apartments, in order to realise the application of standardized projects for special requests.

(2) Community Finance

In addition to the continuous marketing of "Ye Zhu Bao" product series of "Enjoy Life" and internet lending which have been launched already, it will also develop diversified finance products integrated with community scenes and focus on the development of wealth management, community lending and safe wealth management products for the public and other products which are specially for property owners.

Moreover, by integrating other aspects such as e-commerce and life services, the Group will develop more high-quality wealth management products targeting property owners.

3. Derivative Sectors

Second-hand Properties Business

On the basis of the defined model of lease and sale of second-hand properties, the Group will expand the scale of pilot communities and further promote the services for lease and sale of second-hand properties.

The Group plans to cooperate with well-known third-party platform or agent to consolidate both sides' resources and promote the expansion of its business of lease and sale of second-hand properties. It will also develop the function of lease and sale of second-hand properties for the HengTen Mimi App so that such business can be developed further.

In the future, the Group will integrate more resources into the business of lease and sale of second-hand properties, improve the supporting services for property lease, so as to let lessees and property owners enjoy more value-added services and re-define high-quality leasing life.

In addition, the Group plans to explore the second-hand property renovation business model, which is scheduled to commence its pilot testing in the first half of 2017, to provide property owners with high-quality internet home decoration services.

(II) Platform Operation Plan

In view of the vast blue ocean community market, the Group will continue to adopt the strategy of pilot first, orderly expansion and efficient advancement to realise step-by-step coverage of all China Evergrande communities and other communities across the PRC based on the degree of maturity of various business development.

The Group plans to quickly expand the coverage of China Evergrande communities and expand into other communities in the PRC in order to establish its absolute leading position in the community O2O market in 2017. In 2018, the Group will continue its integration and development in communities in the PRC, further expand community O2O service functions and value-added services, and further expand into the blue ocean market expected to worth trillions of dollars.

Manufacturing and sales of accessories

The Group expects that its manufacture and sales of photographic accessories will encounter sluggish market demand attributable to weakening Euro dollars which may reduce the demand of European markets, the biggest markets which accounted to approximately 49.2% of the turnover in this business segment, and keen competition from its competitors. In this regard, the Group will continuously control its costs, strengthen customer relationship, broaden customer base, develop products to suit customer needs in action camera, monitor its level of indebtedness and funding requirements. Overall speaking, the Group expects the performance of this segment to remain stable in the year ahead but the gross profit margin to decrease due to a fierce business environment. Moreover, the Group will closely monitor and capture any opportunity to improve this segment's position, both financially and operationally.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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 ended 31 December 2016.

By order of the Board
HengTen Networks Group Limited

Zhang Xiaohua
Chairlady

Hong Kong, 21 March 2017

FINANCIAL RESULTS

The Group recorded a profit attributable to owners of the Company of approximately HK$5.0 million for the year ended 31 December 2016, as compared to recording a loss attributable to owners of the Company of approximately HK$227.8 million for the nine months ended 31 December 2015. The Group turned into profit-making for the year ended 31 December 2016 mainly due to the following factors:

(i) no cost of employee share option scheme recognised for the year ended 31 December 2016, as compared to that of approximately HK$184.8 million recognised for the nine months ended 31 December 2015;

(ii) a gain of approximately HK$1.2 million in fair value change of equity investments was recorded for the year ended 31 December 2016, while a loss of approximately HK$22.6 million was recorded for the nine months ended 31 December 2015;

(iii) the Group's effective and continuous control of cost of sales and the reversal of provision made have altogether led to improvement in the overall gross profit margin, which increased from 27% for the nine months ended 31 December 2015 to 43% for the year ended 31 December 2016; and

(iv) a promising start in the newly developed internet community services business segment, which contributed a segment profit of approximately HK$8.3 million for the year ended 31 December 2016.

The basic and diluted earnings per share were HK0.0062 cents and HK0.0060 cents for the year ended 31 December 2016 respectively, as compared to the basic and diluted loss per share of HK0.29 cents for the nine months ended 31 December 2015.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through fund raising exercise, borrowings and shareholder's equity. During the year ended 31 December 2016, 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 2016, the Group maintained cash and bank balance of approximately HK$936.5 million (as at 31 December 2015: approximately HK$764.1 million). The increase in cash and bank balance was mainly due to the proceeds from exercise of the Existing Warrants (defined below) and the advanced receipt from the provision of the "new properties with move-in condition" service in the internet community services segment.

Capital Resources

Exercise of the bonus warrants during the year ended 31 December 2016

The bonus warrants issued to the then shareholders of the Company on the basis of one warrant (the "Existing Warrants") for every five shares held on the record date, entitling the warrant holders to subscribe in cash for one new share at an initial subscription price of HK$0.1 per new share, at any time from 24 February 2015 to 23 February 2017 (both days inclusive) was announced on 24 December 2014 and completed on 24 February 2015. The subscription price was adjusted to HK$0.2 per new share upon the share consolidation of the Company becoming effective on 27 October 2015 (the "Share Consolidation"). During the year ended 31 December 2016, 1,010,219,233 new shares had been issued and allotted upon exercise of HK$202,043,846.60 Existing Warrants (adjusted with Share Consolidation) with net proceeds of approximately HK$202.0 million. Among which, net proceeds of approximately HK$3.0 million and HK$11.8 million have been used for the financing of interest expenses of borrowings and as general working capital, respectively.

Borrowings and Gearing Ratio

As at 31 December 2016, the Group's net equity amounted to approximately HK$933.3 million (as at 31 December 2015: approximately HK$732.0 million) with total assets amounted to approximately HK$1,100.9 million (as at 31 December 2015: approximately HK$866.3 million). Net current assets were approximately HK$923.5 million (as at 31 December 2015: approximately HK$771.3 million) and the current ratio was 9.9 times (as at 31 December 2015: 12.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings plus obligations under finance lease) over shareholders' funds was 6.54% (as at 31 December 2015: 8.32%).

CHARGE OF ASSETS

As at 31 December 2016, margin facilities of approximately HK$20.1 million (as at 31 December 2015: approximately HK$19.5 million) from one regulated securities broker were granted to the Group under which financial assets at fair value through profit or loss of approximately HK$51.2 million (as at 31 December 2015: approximately HK$50.0 million) were treated as collateral for the facilities granted.

CURRENCY RISK MANAGEMENT

The Group's manufacturing business operates in overseas market, which accounted for approximately HK$69.0 million of the Group's turnover for the year ended 31 December 2016. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting sale orders quoted in US dollars, which in turn could enable the management to maintain a stable currency exchange condition for normal trading business development. The Group currently does not have a foreign currency hedging policy. During the year ended 31 December 2016, the Directors are of the view that the Group's exposure to exchange rate risk is not material, and will continue to monitor it.

COMMITMENT

As at 31 December 2016, the Group has capital commitment of approximately HK$4,245,000 mainly for the system development and purchase of technology equipment in relation to the internet community services online platform (as at 31 December 2015: approximately HK$110,019,000).

CONTINGENT LIABILITIES

The Company and the Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2016 (as at 31 December 2015: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed approximately 421 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the year ended 31 December 2016, including directors' emoluments, amounted to approximately HK$47.1 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (nine months ended 31 December 2015: nil).

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2016, there was no material acquisition and disposal.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries principally engage in the business of internet community services, investment and trading of securities, provision of loan financing, property investment, manufacturing and sales of accessories for photographic and electrical products.

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 ended 31 December 2016 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. The Group always abides by the national and local laws and regulations relating to emissions, resource use and environmental protection, firmly fulfils its commitment to environmental protection, and actively promotes the philosophy of energy-saving and emission-reduction. No waste gas or greenhouse gas is directly generated in the operation of the Company, and the Group prohibits the discharge of pollutants into water and land. Only a small amount of solid waste is generated in our operation and production, and the Company has developed the Solid Waste Management Measures to regulate the discharge of solid waste. The Group divides waste into three categories, namely non-recyclable, recyclable and hazardous wastes and separates and manages them in accordance with standardized collection and treatment methods.

Also, the Group has actively managed and monitored the risk 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 is disclosed in note 3.1 and note 12 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group during the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on pages 66 and 67 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year ended 31 December 2016 are set out in notes 17 and 18 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 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 higher.

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 of the Company.

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 cannot 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 ended 31 December 2016 and there was no outstanding share option of the Company as at 31 December 2016.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's investment properties and property, plant and equipment during the year ended 31 December 2016 are set out in notes 9 and 6 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve was as follows:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Contributed surplus	**72,201**	72,201
Accumulated losses	**(4,673,367)**	(4,661,056)
	(4,601,166)	(4,588,855)

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 ended 31 December 2016 and up to the date of this report were as follows:

Executive Directors:

Ms. Zhang Xiaohua	(Chairlady) (appointed on 24 June 2016)
Mr. Peng Jianjun	(ex-Chairman) (resigned on 24 June 2016)
Mr. Liu Yongzhuo	
Mr. Huang Xiangui	
Mr. Zhuo Yueqiang	

Independent Non-executive Directors:

Mr. Chau Shing Yim, David

Mr. Nie Zhixin

Mr. Chen Haiquan

Professor Shi Zhuomin (appointed on 23 September 2016)

Pursuant to bye-law 86(2) of the Company's Bye-laws, each of Ms. Zhang Xiaohua and Professor Shi Zhuomin will hold office until the forthcoming annual general meeting of the Company (the "AGM") and are subject to re-election at the forthcoming AGM.

Pursuant to bye-law 87 of the Company's Bye-laws, each of Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang will retire from office by rotation at the forthcoming 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 ended 31 December 2016.

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

As at 31 December 2016, none of the Directors, chief executives nor their associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 The Stock Exchange of Hong Kong Limited 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 The Stock Exchange of Hong Kong Limited (the "Listing Rules") as adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 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 ended 31 December 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, 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	40,417,570,910	4,706,459,934	45,124,030,844	Interest of a controlled corporation	60.48%
Solution Key Holdings Limited *(Note 1)*	40,417,570,910	4,706,459,934	45,124,030,844	Beneficial owner	60.48%
Tencent Holdings Limited	14,697,298,513	1,711,439,976	16,408,738,489	Interest of a controlled corporation	21.99%
Water Lily Investment Limited *(Note 2)*	14,697,298,513	1,711,439,976	16,408,738,489	Beneficial owner	21.99%
Mr. Yip Yuen Sai *(Note 3)*	4,387,809,608	–	4,387,809,608	Interest of a controlled corporation	5.88%
Allied Trade Ventures Limited *(Note 3 and 4)*	4,387,809,608	–	4,387,809,608	Beneficial owner	5.88%

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) Mr. Yip Yuen Sai and Allied Trade Ventures Limited ceased to have any interest in the shares of the Company on 23 January 2017 upon the lapse of the Sale and Purchase Agreement as disclosed in the announcement of the Company dated 24 January 2017.

(4) Allied Trade Ventures Limited is wholly-owned by Mr. Yip Yuen Sai.

Save as disclosed above, as at 31 December 2016, 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 ended 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 9.0% and 30.9% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 71.6% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 26.5% 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 ended 31 December 2016.

STRUCTURED CONTRACTS

Background

As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the Group has entered into the community O2O market. The Company's community O2O business includes (1) providing online collection of property management fees, facilities repair and maintenance, community finance and other services through the HengTen Mimi APP, as well as internet home business; and (2) publishing advertisement, online orders, online payments, activating third party payment and other online application services, and providing platform services allowing third party vendors to set up online virtual shop, all through its PC websites or mobile Apps, which involves value-added telecommunication services such as e-commerce business (the "**Restricted 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, 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 after enquiring with the relevant telecommunications administration, the Company's business operations fall under the "online data and transaction processing business" (B21) (the "**Online Data and Transaction Processing Business**") and "information services business" (B25) (the "**Information Services Business**") in the second category of value-added telecommunication businesses in the Classification Catalogue of Telecommunication Services (2015 version, effective from 1 March 2016) (the "**Catalogue**").

Accordingly, our PRC legal counsel advised that currently, the Online Data and Transaction Processing Business can be owned by foreign investor of up to 100%. However, the foreign investor must meet the Qualification Requirement. The Information Services Business can only be owned by foreign investor of up to 50% and the foreign investor must meet 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 the 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 the OPCO.

The OPCO is 55% owned by Ms. Deng Miaojing ("**Ms. Deng**") and 45% owned by Ms. Yu Siyu ("**Ms. Yu**", together with Ms. Deng, the "**OPCO Shareholders**").

The Group's community O2O business product are currently in the forms of HengTen Mimi APP and the online internet home and e-commerce platform-HTmehome. As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the Group's community O2O business picked up a strong momentum in 2016. The Restricted Business of the Group needs to be operated by the OPCO in order to obtain registered user and traffic growth, thus acquiring core user base and platform for commencing the Group's business. Looking forward to the near future, the Group expects to grow the community O2O business and accordingly, it is expected that the community O2O business will become one of the principal businesses of the Group in the future. As the Restricted Business is a material component of the Group's community O2O business, the performance of which is expected to become material to the overall performance of the Group in the future.

The 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 Information Services Business. Furthermore, OPCO also plans to provide platform services through its PC websites or mobile Apps allowing third party vendors of goods or services to set up online virtual shop, and such types of businesses relate to the Online Data and Transaction Processing Business.

The Group's total revenue for the year ended 31 December 2016 contributed by OPCO under the Structured Contracts amounted to approximately RMB2 million (RMB2,443,026), representing approximately 1.77% of the Group's total revenue for the year ended 31 December 2016, and the total assets of OPCO as at 31 December 2016 were approximately RMB22 million (RMB22,182,913), representing approximately 2.24% of the total assets of the Group as at 31 December 2016.

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 the 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 the OPCO.

(1) Exclusive Management Consultancy Service Agreement

Pursuant to the Exclusive Management Consultancy Service Agreement dated 1 April 2016 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, the 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 1 April 2016 between WFOE, OPCO and OPCO Shareholders, among other things,

- 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 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 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 1 April 2016 between WFOE, OPCO and OPCO Shareholders, 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 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 1 April 2016 between WFOE and OPCO Shareholders, OPCO Shareholders pledged the 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 15 April 2016.

(5) Powers of Attorney

Pursuant to the Powers of Attorney dated 1 April 2016 executed by each of 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 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 OPCO Shareholders.

(6) Undertakings

Pursuant to the Undertakings dated 1 April 2016 executed by Ms. Deng and Ms. Yu (being the OPCO Shareholders) respectively,

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

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

- 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 herself and WFOE;

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

Pursuant to the Undertaking dated 1 April 2016 executed by Mr. Li Yueqi, Ms. Deng's spouse,

- the equity interest in OPCO held by Ms. Deng does not form part of the community property; and

- any income arising in relation to such equity interest in OPCO shall be solely owned and disposed by Ms. Deng and he will neither claim any rights to such income, nor participate in the management of the business operation of OPCO.

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, the OPCO and 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 the 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 the OPCO will be reflected in the consolidated financial results of the Group.

The OPCO is now in the process of applying for the relevant e-commerce operation licenses and permits. If the OPCO fails to obtain the requisite licenses and approvals to operate the Restricted Business in the PRC, the Group's O2O 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, do not contravene 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 is 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 would not agree that the Structured Contracts can be performed under the applicable PRC laws, rules and regulations that may be adopted in the future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

Possible impact of the draft PRC Foreign Investment Law (the "Draft Law") and its explanation published by the Ministry of Commerce of the PRC on 19 January 2015 on the Structured Contracts and the business of the OPCO

On 19 January 2015, the Ministry of Commerce of the PRC published the Draft Law. As advised by our PRC legal counsel, the Draft Law introduced the concept of "actual control" when determining whether a PRC domestic enterprise is in fact a foreign-invested enterprise instead of its place of incorporation. "Control" includes shareholding, decision making or other powers of controlling policy making, or absolutely influencing the operations, finances, human resources and technical aspects of a company through contracts or trusts. As such, there is a risk that the Structured Contracts will be subject to a change in legal position. According to the definition under the Draft Law, if the actual controller under the Structured Contracts is a foreign investor, the domestic enterprise will also be viewed as a foreign investor or a foreign enterprise, and its operations will be in breach of the law prior to obtaining the relevant permission.

Nevertheless, our PRC legal counsel advised that as there are uncertainties on the final content and interpretations of the Draft Law if and when it is adopted and becomes law, there is no assurance whether the Structured Contracts and the business of the OPCO will be materially affected or not in the future. In addition, our PRC legal counsel also believes that due to the long legislative process of the PRC, the Draft Law is unlikely to come into effect in the near future.

If the Draft Law is to be interpreted in the most stringent way and the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, the Group would lose control of OPCO, be unable to consolidate the financial results of OPCO, or properly safeguard, award or control the assets of OPCO, which would result in a material adverse effect on the Group's business, financial condition and results of operations.

In order to continuously monitor the development of the Draft Law to assess the possible impact on the Structured Contracts and the business of the OPCO, the Board will monitor the updates of the Draft Law and discuss with the Company's PRC legal counsel on a regular basis. In case there would be material impact on the Group or the business of the OPCO, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

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. If WFOE had direct ownership of OPCO, WFOE would be able to directly exercise its rights as a holder of equity interest to effect changes in the board of directors of OPCO.

However, under the Structured Contracts, WFOE can only rely on OPCO and 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 risks exist and the Group expects them 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. Therefore, the Structured Contracts may not be as effective as direct ownership in providing the Group with control over OPCO.

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 the WFOE or if the competent tax authority require the 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 the WFOE may be subject to a substantial amount of tax, the financial conditions of the WFOE may be materially and adversely affected.

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

OPCO and 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 the 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. The WFOE may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. 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 on the basis of their merit, qualifications, experience and competence.

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

CONNECTED TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in note 34 to the consolidated financial statements. Some of those transactions also constituted continuing connected transaction and one-off connected transaction of the Company under the Listing Rules, as identified below. The Company has complied with the relevant disclosure requirement in respect of those transactions in accordance with Chapter 14A of the Listing Rules.

On 24 October 2016, 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 the System Development and Implementation Contract and the Network 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 System Development and Implementation Contract constituted a one-off connected transaction of the Company and the transaction contemplated under the Network Equipment Usage Contract constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 24 October 2016 for details.

As the applicable percentage ratios of the abovementioned continuing connected transaction were all less than 5% and the proposed annual cap was less than HK$3,000,000, the transaction is fully exempted under Chapter 14A of the Listing Rules.

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.

* *For identification purpose only*

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2016 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 ended 31 December 2016.

CHARITABLE DONATIONS

The Group has not made any charitable donations during the year ended 31 December 2016 (nine months ended 31 December 2015: nil).

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, no material events have occurred after the reporting period.

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 143 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 ended 31 December 2016 and remained in force as of the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 and for the nine months ended 2015 were audited by PricewaterhouseCoopers ("PwC"), while for the year ended 31 March 2015 was audited by Deloitte Touche Tohmatsu. 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 21 March 2017
For and on behalf of the Board

Zhang Xiaohua
Chairlady

Hong Kong, 21 March 2017

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management as at 21 March 2017, being the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Ms. Zhang Xiaohua, aged 44, has over 20 years of experience in the operation and management in the media and property industries. Ms. Zhang joined the Company in April 2016 as general manager and was appointed as the chairlady of the Board in June 2016. Prior to joining the Company, Ms. Zhang worked at Country Garden Holdings, New World China Land Group, Yangcheng Evening News Group and Pengda Group (鵬達集團).

Ms. Zhang graduated from Guangzhou Normal University (now known as Guangzhou University) and Sun Yat-sen University with a bachelor of arts in Chinese language and literature and a master of business administration, respectively.

Mr. Liu Yongzhuo, aged 36, has over 13 years of experience in human resource management, investment and operation of real estate projects and management and operation of multi-industry companies. Mr. Liu has been serving Evergrande Group since 2003 and had served as a vice president of Evergrande Group, the chairman of the board of directors of Guangzhou Evergrande Taobao Football Club, Evergrande culture industry group, Evergrande spring water group and Evergrande internet financial group. He is now serving as a vice president of Evergrande financial group and the chairman of the board of directors of Evergrande internet financial group.

Mr. Liu graduated from East China Normal University and Wuhan University of Technology and obtained a bachelor's degree in business management and a master's degree in engineering.

Mr. Huang Xiangui, Andrew, aged 46, has over 19 years of experience in marketing, human resource management and operation, management of foreign-funded enterprises, capital market and investors relation management. Mr. Huang has been serving Evergrande Group since 2004 and now serves as an executive director 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 of science degree in banking and finance.

Mr. Zhuo Yueqiang, aged 41, has over 10 years of experience in management in the mobile internet business. Mr. Zhuo has been serving Tencent since 2004 and has served as the manager of South China area of the mobile internet group and the general manager of the business operations department of the mobile internet group of Tencent. Since 2015, Mr. Zhuo has been serving as the manager and the primary person in charge of the business co-operation department of the Weixin group of Tencent.

Mr. Zhuo graduated from the Beijing Institute of Technology and obtained a bachelor's degree in communications engineering.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David, aged 53, has over 20 years of experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a director of the Hong Kong Securities and Investment Institute, a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and 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 member of the Jinan Municipal Committee of the Chinese People's Political Consultative Conference ("CPPCC") and became a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017.

Mr. Chau is currently an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (formerly known as Evergrande Real Estate Group Limited) (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), Evergrande Health Industry Group Limited (Stock Code: 708) and became an independent non-executive director of IDG Energy Investment Group Limited (formerly known as Shun Cheong Holdings Limited) (Stock Code: 650) on 5 August 2016 and Asia Grocery Distribution Limited (Stock Code: 8413) on 27 March 2017. All of the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Chau has resigned as a director of China Solar Energy Holdings Limited (Stock Code: 155) on 12 June 2015. He has retired as an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) on 25 September 2015 and Varitronix International Limited (Stock Code: 710) on 3 June 2016. All of the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Nie Zhixin, aged 54, 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 47, 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, vice president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province and vice president of the Association of Business and Economics in the Guangdong province. Mr. Chen served as an independent director of Guangzhou Friendship Group Co., Ltd. (listed on the Shenzhen Main Board with Stock Code: 00987).

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 45, has a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan. Professor Shi studied at The Chinese University of Hong Kong and Harvard Business School 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. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-culture 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 provincial investigation and consulting expert of Guangdong Province and an expert reviewer of the Journal of Marketing Science, Nankai Business Review and the Journal of Sun Yat-sen University.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, Maria Olimpia, aged 73, 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 facilitate her to give advice and pass on her valuable experience in the manufacturing and sales of goods operations. Ms. Chan has over 40 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2016 except for the following deviations from the Code provision:

a) Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2016, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

b) Code provision E.1.2 stipulated that the chairman of the Board should attend the annual general meeting of the Company. Mr. Peng Jianjun, the ex-chairman of the Board, did not attend the annual general meeting of the Company held on 10 June 2016 due to work reasons.

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 ended 31 December 2016 and up to the date of this annual report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:

Ms. Zhang Xiaohua *(Chairlady)* (Appointed on 24 June 2016)
Mr. Peng Jianjun *(ex-Chairman)* (Resigned on 24 June 2016)
Mr. Liu Yongzhuo
Mr. Huang Xiangui
Mr. Zhuo Yueqiang

Independent non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin (Appointed on 23 September 2016)

Biographical details of the current members of the Board are set out on page 31 to page 33 of this annual report.

During the year ended 31 December 2016, the Board 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 appropriate to 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 regulatory 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 ended 31 December 2016 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. Six Board meetings were convened by the Company during the year ended 31 December 2016.

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 ended 31 December 2016 is set out below:

	No. of meetings attended/held				
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Ms. Zhang Xiaohua (Chairlady) (appointed on 24 June 2016)	4/4	–	1/1	2/2	–
Mr. Peng Jianjun (ex-Chairman) (resigned on 24 June 2016)	2/2	–	1/1	1/1	0/1
Mr. Liu Yongzhuo	3/6	–	–	–	0/1
Mr. Huang Xiangui	6/6	–	–	–	1/1
Mr. Zhuo Yueqiang	4/6	–	–	–	0/1
Independent non-executive Directors					
Mr. Chau Shing Yim, David	6/6	2/2	2/2	–	1/1
Mr. Nie Zhixin	6/6	2/2	2/2	3/3	1/1
Mr. Chen Haiquan	6/6	2/2	–	3/3	1/1
Professor Shi Zhuomin (appointed on 23 September 2016)	2/2	–	–	–	–

Directors' Training

All Directors have complied with the Code provision 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 any new member of the Board. On appointment, the new member will receive an induction which includes meetings with the 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 provision 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 ended 31 December 2016, 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

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 of 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.

During the year ended 31 December 2016, two meetings have been held by the audit committee to approve the audited financial statements for the nine months ended 31 December 2015 and to review interim financial statements (including accounting policies and practices adopted) of the Group for the six months ended 30 June 2016, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 36 of this annual report.

On 17 March 2017, 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 ended 31 December 2016 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 2017 at the forthcoming 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 2016, the members of the remuneration committee included Mr. Chau Shing Yim, David, the chairman of the remuneration committee, Mr. Nie Zhixin and Ms. Zhang Xiaohua. 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 ended 31 December 2016, two meetings have 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 36 of this annual report.

NOMINATION COMMITTEE

The majority of the members of the nomination committee were independent non-executive Directors. As at 31 December 2016, the members of the nomination committee included Ms. Zhang Xiaohua, the chairlady 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 ended 31 December 2016, three meetings have 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 36 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 ended 31 December 2016.

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 58 to page 63.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

The Board is responsible for the risk management and internal monitoring 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 ensuring the management has established and maintained appropriate and effective risk management and internal control systems. The management is responsible for designing, implementing and monitoring an effective risk management and internal control system. The management should also provide assurance 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.

Risk Management

During the year ended 31 December 2016, the Group has established a 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:

✓ **Established a risk management organizational structure** – An organizational structure with the audit committee as the decision-maker and the management of various segments as the implementation unit and led by the senior management of the Group, 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 management for the design, implementation and monitoring of the risk management and internal control system • Monitor significant control failings 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 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 (Supervision Department)	• Risk management supervision department, responsible for supervising risk management work of the Group and various business segments

✓ **Established risk assessment criteria** – Risk assessment criteria applicable to each business segment has been established based on the nature, business characteristics and strategic objectives of the Group and various activities and the risk appetite of the management, and the risks that are most likely to affect the achievement of the objectives have been assessed using commonly recognized assessment methods and assessment criteria.

✓ **Established risk management workflow** – A risk management workflow covering major steps including identification, analysis, response, monitoring and reporting (please refer to chart 1 "Risk management workflow" below for details) has been established to systematically organize, mitigate and monitor risks. 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.

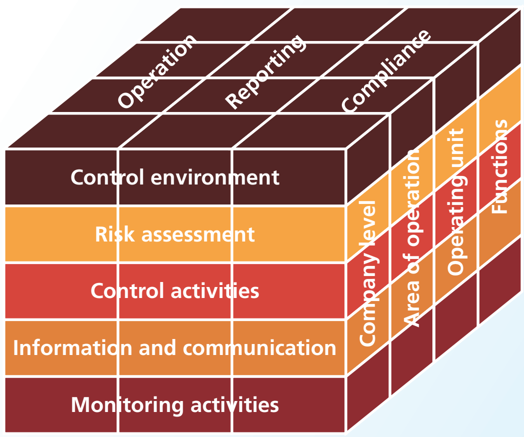
✓ **Determined the risk management review frequency** – The frequency of risk management assessment and reporting of the Group was determined (to be at least once a year), and the aforesaid key elements have been incorporated in the Risk Management Manual of the Group to standardize the forms and frequency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

(Chart 1: Risk management workflow)

During the year ended 31 December 2016, the Board, through the audit committee, conducted a comprehensive review of the risk management system, identified the top 10 risks facing the Group and adopted the relevant countermeasures with the help of external consultants, set out the main department responsible for risk management and countermeasures and objectives for improvement, and reported the assessment results to the audit committee.

Internal Control

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to chart 2: COSO internal control management framework). The Group's risk management 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.



(Chart 2: COSO internal control management 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.

Internal Audit

The Group has established a Supervision Department to be responsible for independent supervision. Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the supervision, 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 ended 31 December 2016, the Board, through the audit committee, conducted a review of the risk management and internal control systems of the Group for the financial year of 2016, covering the Group and its 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, risk management, 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 ended 31 December 2016, the emolument to the external auditor of the Company for the annual audit and review of interim financial statements amounted to HK$2,400,000 and the emolument of the external auditor of the Company for providing non-audit services including consultation and advisory service regarding to corporate governance reporting and environmental, social and governance reporting amounted to approximately HK$1,090,000.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, the Company has not amended 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 Suites 1501–1507, One Pacific Place, 88 Queensway, 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 Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, or the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "Hong Kong Branch Share Registrar"), at Level 22, 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 RELATIONSHIP

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: Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong

ABOUT THIS REPORT

This Environmental, Social and Governance Report aims to review the practice and performance of HengTen Networks' environmental, social and governance aspects for the year 2016. This report also describes the sustainable development ideas, strategies, management measures of HengTen Networks and establishes a platform for HengTen Networks to communicate with all its stakeholders.

This report covers the period from 1 January 2016 to 31 December 2016 (the "Reporting Period"), and covers the business segments of internet community services, and manufacture and sales of accessories of HengTen Networks.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, and all data presented are derived from internal documents of the Group and information collected, third-party questionnaires, third party evaluations and interviews and media reports.

The Group undertakes that this report contains no false statements, misleading statements or material omissions and is responsible for the accuracy, truthfulness and completeness of the contents of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

HengTen Networks is well aware that the development of an enterprise is not only the pursuit of its own economic interests but also a process to constantly optimize the allocation of resources and to serve the public, which is even more important for a community O2O enterprise. By adhering to the principle of "thrifty, environmental protection and energy conservation" and the general purpose to reduce greenhouse gas emissions and achieve sustainable resource use, the Group effectively strengthened its environmental protection measures in the process of day-to-day operation. We have gradually established an increasingly sound social responsibility management system, to guide and coordinate the full implementation and practice of the social responsibility management policy and management thinking in our corporate development strategies and day-to-day operation. In addition, to fulfil our responsibilities and missions, we aim to serve the public using communities as base and ultimately realize the balance of economic, social and environmental development and achieve a comprehensive and sustainable development.

STAKEHOLDERS PARTICIPATION AND COMMUNICATION

We continue to improve the mechanisms and channels for communicating with various stakeholders in respect of the development and operation of the Company, and listen and respond to stakeholders' opinions and demands in order to establish close cooperative relationship with them. We always stick to our stakeholders and meet the challenges together in order to promote economic prosperity and development, improve the environment and promote social development.

Stakeholders	Concerns and expectations of stakeholders	Communication and response by HengTen Networks
Government	Operate in compliance and pay tax in accordance with the law;	Established a legal department to handle compliance matters, paid taxes on time and accepted tax inspections;
	Promote the integration between the internet and traditional industries and innovations.	Explored new growth drivers in traditional industries through community O2O and partners.
Investors	Strengthen comprehensive risk control management;	Established a scientific, rational and efficient corporate governance structure, gradually improved operation management, governance and risk management;
	Steady operation to create continuous revenue;	Maintained fast product generation and function upgrades, continued to create long-term value gains;
	Open and transparent corporate information disclosure.	Standardized the information disclosure system and disclosed corporate information through annual reports, official website and media reports.
Employees	Fair promotion and career development;	Established fair and open procedures for selection and appointment;
	Provide a healthy and safe working environment;	Provided a good working environment and modern life service platform;
	Secure remuneration and benefits;	Continued to improve fair, impartial and competitive welfare system;
	Enhance the sense of belonging and identity.	Organized a variety of sports activities and team building activities.
Partners	Business integrity and conducting fair and open tender;	Standardized the tender procedures, established the supervision department to carry out anti-corruption monitoring;
	Abide by business ethics and promote the development of the industry;	Undertook the role as an internet platform in accordance with the law, performed contractual obligations;
	Share the benefits of development to achieve mutual benefits and win-win.	Held business talks with partners from time to time, shared industry research results.

Stakeholders	Concerns and expectations of stakeholders	Communication and response by HengTen Networks
Platform users	Protect personal privacy on the internet;	Gradually improved the information security management system, strengthened the prevention of information security vulnerabilities;
	Provide high-quality, caring service experience;	Established complaint channels and regulated the process of handling complaints lodged against merchants on the platform through establishing standards;
	Provide healthy and safe platform products.	Standardized admission review of platform merchant, regularly assessed overall performance of merchants.
Community	Participate in the construction of a harmonious community;	Organized online platform and offline activities to establish closer relationship with community neighborhood;
	Promote green awareness;	Partnered with property management companies to carry out energy conservation and environmental protection activities in the community;
	Maintain public order in the community.	Rolled out a "Property Owners' Convention" to advocate property owners to maintain public order.
Social public	Provide transparent and open information on business operation;	Disclosed corporate information through annual reports, official website and media reports;
	Reduce the impacts of business operations on the environment;	Implemented green low-carbon office measures, disposed of waste in accordance with the relevant national regulations;
	Promote the development of social and public welfare.	Guided employees and community owners to participate in charitable activities such as poverty alleviation and donations.

MATERIALITY ASSESSMENT

In order to more objectively understand the expectations and demands of internal and external stakeholders, we commissioned an independent third party professional organization to carry out communication with and survey of internal and external stakeholders. By understanding the expectations and demands of internal and external stakeholders through communication in the form of questionnaires and telephone interviews, we established an importance topic matrix of HengTen Networks in respect of environmental, social and governance matters, which enables us to identify the areas in respect of environmental, social and governance matters that require concern and improvement and continue to improve environmental, social and governance management.

No.	Important Topics
1	Product Responsibility
2	Prevention of bribery, extortion, fraud and money laundering
3	Staff recruitment, training and development, maintenance of team stability
4	Open communication and transparency
5	Procurement of materials and products from environmentally-friendly suppliers
6	Employee remuneration and benefits
7	Employees' occupational health and safety
8	Contribution to local communities
9	Employment practice and labour standards
10	Diversity and equality (recruitment of disabled)
11	Sewage treatment
12	Waste and greenhouse gas emissions
13	Use of natural gas resources
14	Weather change, energy consumption and CO2 emissions
15	Packaging materials
16	Employees' volunteer services

PRODUCT RESPONSIBILITY

Product health and safety

The Company mainly provides goods to community users and consumers through two major service platforms including the HengTen Mimi App (恒騰密蜜) and the HengTen Mimi Home Mall (恒騰蜜家商城). We strictly abide by the relevant laws and regulations on product liability and strive to improve internet community services in many areas including platform management, platform merchant operation and management, customer complaint management, guidance on introduction of merchants and suppliers, and distribution management, so as to promote the orderly operation of platform merchants and protect the legitimate rights and interests of platform users and consumers.

In order to prevent the sale of products without indicating manufacturer name, production site or production health permit and fake and shoddy goods on the platform which will harm the health and safety of platform users and consumers, we implement a strict qualification examination of goods being sold on the platform, for:

- registered trademark certificates for the brand of goods issued by the Trademark Office of the State Administration for Industry and Commerce;
- continuous and formal internet distribution licenses issued by the relevant entities from the manufacturers to the distributors;
- quality certification, health and safety certification and the relevant inspection reports for the goods issued by competent quality inspection authorities in the PRC.

User privacy protection

We established information security management measures which clarify the department responsible for information security and its responsibilities, and specifically standardized the information system security management in many areas including information system personnel, physical environment, network communication, hardware facilities, system data, system development operation and maintenance.

We have established a user information security management department to be responsible for timely collecting and conveying the requirements of the laws and regulations relating to customer information management. In addition, we strictly control business data of the Company to ensure all information and data of customers are treated so that sensitive information is removed and destroyed on time.

We also attach importance to the prevention of information security vulnerabilities and have taken the following measures to strengthen the inspection and supervision of information security vulnerabilities:

- we upgraded the security level of our servers through the cooperation with Alibaba Cloud;
- we performed security vulnerability checks on main applications through penetration tests;
- we checked the security and vulnerability issues of codes that may arise from programming through source code audit;
- we established a comprehensive monitoring and early warning system to improve the ability to respond to emergency information security accidents.

User complaint handling

Being an user-centric application, HengTen Mimi has always strived to provide users with high-quality and caring services, to continuously improve customer satisfaction and loyalty to the platform. When a user lodges a complaint because the product or service provided by a third-party merchant fails to meet his/her expectation, we will immediately forward the complaint to the merchant. We monitor the merchant to take actions within 48 hours and follow up on the results. Within 24 hours of the settlement of the dispute, we will contact the complaining user to understand his/her satisfaction with the results and collect his/her feedbacks on platform services.

Platform compliant channel

Protection of intellectual property rights

We have established the Measures for the Administration of Intellectual Property Rights to regulate the relevant procedures for the application for, maintenance and transfer of intellectual property rights in respect of trademarks, patents and copyrights. As the business of the Company develops, we conduct systematic forward-looking protection of the software of the Company. In addition, when entering into contracts with other institutions, we pay great attention to confidentiality obligations and the terms in relation to the ownership of intellectual property rights.

Advertising and publicity

We strictly abide by the Trademark Law of the People's Republic of China and the Advertising Law of the People's Republic of China. We have developed the rules for operation and marketing management and brand management, with the aim to standardize and unify the use of operating images and logos, and to set out clear obligations and responsibilities for employees with regards to the maintenance of the brand image of the Company.

SUPPLY CHAIN MANAGEMENT

Internet community service business

Through strict merchant screening procedures and regular comprehensive merchant evaluation, we ensure that third-party merchants continue to provide safe, healthy and environmentally-friendly products. We have established a procurement management system to regulate the management of platform merchants and partners and comprehensively improve the environmental and social risk management of the Company. We mainly take the following specific measures to achieve the comprehensive management of platform merchants:

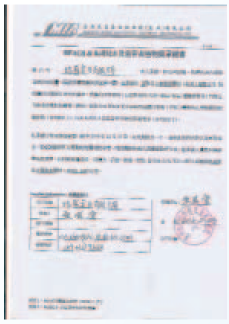
- we implement open and fair bidding, advocate fair competition and strive to build an environment for faithful cooperation;
- we conduct business qualification examinations and field investigation and review their product quality, business ethics, social responsibility, environmental protection practices, etc.;
- we regularly assess the performance of merchants, remove substandard platform merchants, and continuously monitor the quality of product and services of platform merchants;
- we choose partners among top 10 national brands, top 5 regional brands or international renowned brands with brand/comprehensive strengths for cooperation in order to ensure that platform merchants provide products and services which meet our standards.

Adhering to the philosophy of "Being trusted is a pleasure", we strictly abide by business ethics, operate in good faith, and cooperate with suppliers and partners to share the fruits of development in order to achieve mutual benefits and win-win. During the Reporting Period, we set up a "home alliance" with leading household product and home appliance branded suppliers in the PRC, in order to achieve common growth with suppliers while providing higher-quality services to platform users. As at 31 December 2016, we had 43 platform merchants with which we had established strong cooperation.

Manufacture and Sales of Accessories Business

For the manufacture and sales of accessories business segment, in order to protect products safety and health, we have established clear rules and procedures to regulate the introduction of new suppliers and regular evaluation of qualified suppliers. For new suppliers, we inspect their qualifications and conduct HSF assessment of them in order to ensure the products and raw materials provided by them meet EU REACH regulations and RoHS 2.0 directive and strictly limit the content of harmful components. Our HSF assessment criteria include:

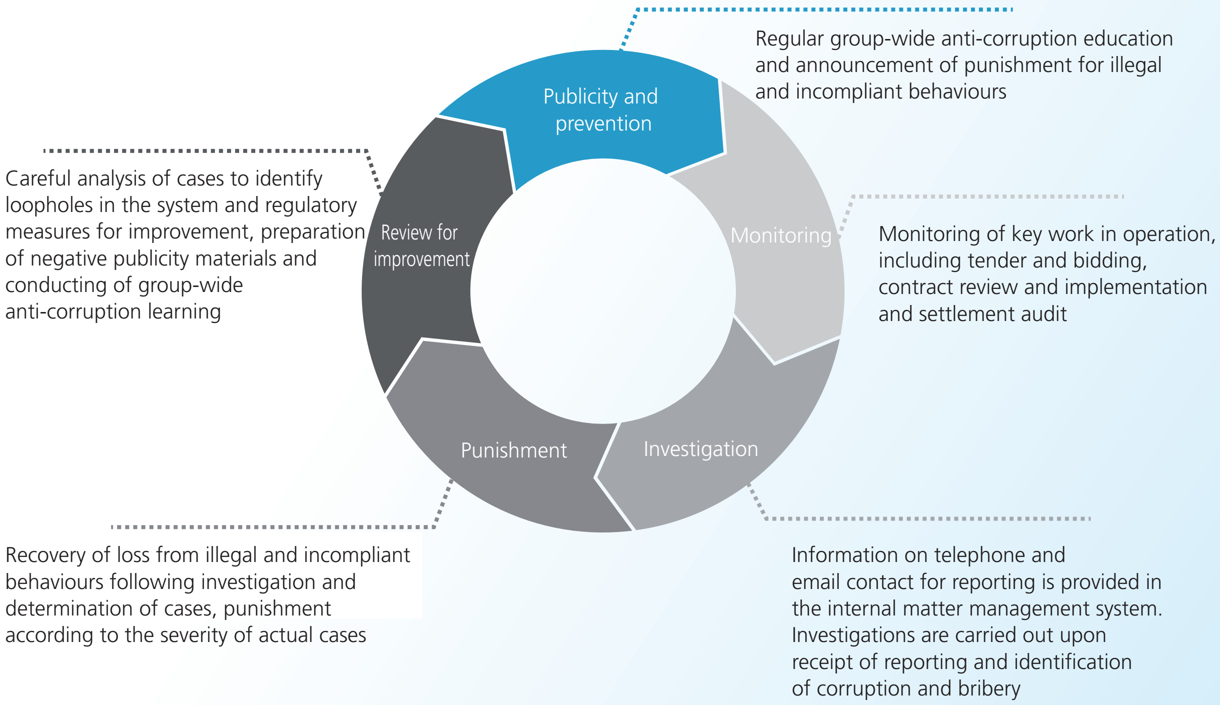
- suppliers shall agree to comply with the latest *REACH&RoHS2.0 and Letter of Undertaking in relation to Regulation of Hazardous Materials*;
- the products and raw material inspection reports provided shall comply with the latest HSF standards;
- the inspection reports provided must be truthful, reasonable and effective.



Suppliers' Undertaking in relation to Prohibited Substance

ANTI-CORRUPTION

We strictly comply with the laws and regulations of the country and the regions in which we operate relating to the prevention of bribery, extortion, fraud and money laundering, and advocate upright, honest and integrity-based corporate culture. We have developed anti-corruption policy of the Company, which sets out clear responsibilities for the Supervision Section and other functional departments, and actively monitor and prevent internal and external corruption.



Key areas for anti-corruption

In addition, we have established sound internal whistleblowing procedures to encourage all employees to participate in anti-corruption monitoring:

We attach great importance to cultivating employees' awareness of anti-corruption. We offer induction training in integrity education to new employees and organize anti-corruption study for all employees from time to time. In July 2016, we organized all employees to watch an integrity education film and educate all employees on anti-corruption. During the Reporting Period, the number of closed cases filed by HengTen Networks or its employees relating to anti-corruption, bribery, extortion and money laundering was zero.

Watching an integrity education film

EMPLOYMENT

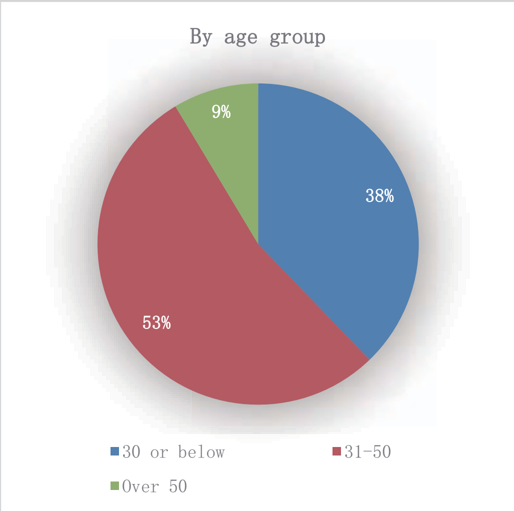
Well aware of the fact that employees are the main force driving the future development of the Company, we continue to optimize human resources management system to improve staff quality and lay a solid talent foundation for our sustainable development.

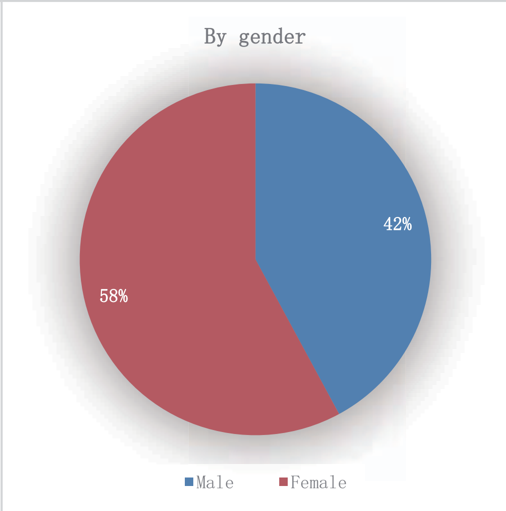
Labour standards

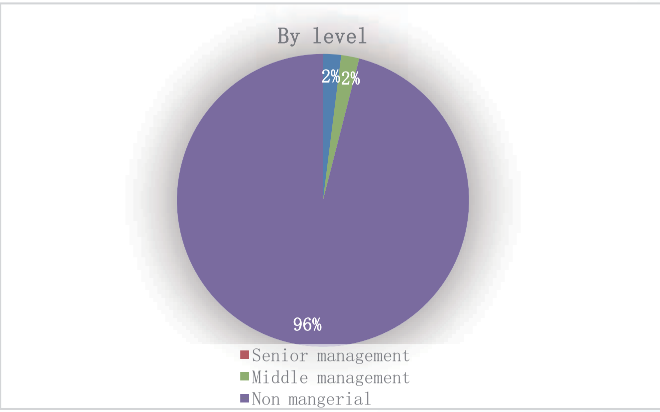
We strictly comply with the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, and have established standard labour management rules. We sign labour contracts with employees and prohibit the use of child labour. In addition, in accordance with the requirements of the Labour Law, we implement standard working hours and establish a mechanism for overtime and shift change application to prevent forced labour, and safeguard the legitimate rights and interests of employees and the Company in accordance with the law. We always determine the recruitment and promotion of talents by adhering to the principle of legality, fairness, equality, voluntariness, honesty and credibility and eliminate discrimination based on nationality, race, ethnicity, religious beliefs, gender, sexual orientation and physical disability.

Employee remuneration and benefits

Under the guidance of the talent strategy of "Talent first", we have established a performance-oriented remuneration management system to protect basic rights of employees and encourage the development of talents. In addition to providing employees with "five types of social insurance contributions and one housing fund contribution", we have also developed a variety of welfare incentive policies, including re-education funding support, travel leaves, annual physical examinations, and preferential treatment for property purchase and shopping by employees. We have attracted talents from a variety of areas such as internet and property and built a team of high-calibre inter-disciplinary talents. As at 31 December 2016, we had a total of 421 employees, of which 42% were female.







Employee promotion and training

We attach great importance to personal career development of employees and strive to create broad room for the development of employees by constantly improving the management mechanism and system for leadership selection and appointment, stipulating clear promotion criteria and regulating selection and appointment procedures. We always stick to the principle of "equality, justice, openness and merits". We conduct comprehensive investigation and appraisal of qualified candidates in areas of virtue, capability, diligence, performance and integrity, and disclose the appraisal results in public for democratic supervision, complaints and reporting.

We attach great importance to the training of talents. We continue to build a positive learning environment within the Company and have developed a number of policies to encourage employees learning. We arrange a variety of knowledge and skill trainings for fresh graduate employees, low level employees and managerial employees, covering introduction training, quality training, management training, professional training, open class, leadership improvement training and on-the-job academic education.

Training for fresh graduate employees

We have established a "one-on-one" mentorship mechanism by selecting core staff to act as mentors of fresh graduate employees and help them quickly learn job skills, realize role change and integrate into the Company, become familiar with the responsibilities, rules and regulations and work processes of the departments, master basic position knowledge and skills, and cultivate good working habits.

We work together with platform merchants and other institutions to provide various knowledge seminars and open classes for employees, build a broad platform for knowledge exchange and improve general quality of employees. During the Reporting Period, we worked together with CITIC Bank, a partner of HengTen Mimi platform, and held a number of seminars titled "Several Things of HengTen Mimi Finance", which taught knowledge on internet housing fund loans, property finance, insurance and community finance to employees in form of expert lectures, summary discussion, lucky draw interactions, improved the business quality of employees and also promoted our communication and exchange with our partner.

Staff knowledge lecture

Employee health and growth

We strictly abide by the national and local laws and regulations relating to labour rights and interests and provide employees with a workplace in compliance with national standards for occupational safety and health. The Company has established a comprehensive life service platform for employees covering food, entertainment, transportation and health management, which has protected the occupational health and safety of employees and enhanced their sense of happiness.

- Food: We have in place staff canteens to provide free lunches and secure the food needs of employees;
- Entertainment: We have established modern gyms, various venues for recreational activities and reading room to help employees relax;
- Transportation: Employees can apply for the use of free commuter vehicles to facilitate staff commuting;
- Health: We provide annual free physical examination and hold health seminars to help employees understand the hazards of occupational diseases and prevention methods.

We always care for the physical and mental health of employees, organizing various recreational and team building activities to actively help employees reduce working pressure, develop good habits for healthy life and stay away from occupational diseases. On 27 September 2016, we organized a "Mimi Guangzhou Night Run" (密蜜花城匯夜跑) activity and encouraged employees' participation by providing rich event prizes, in order to help employees adjust their physical and mental state, promote the balance between work and rest and maintain healthy and positive attitudes. During the Reporting Period, the number of deaths of our employees caused by occupational hazards and workplace safety accidents was zero.

Mimi Guangzhou Night Run

ENVIRONMENTAL PROTECTION

We always abide by the national and local laws and regulations relating to emissions, resource use and environmental protection, firmly fulfil our commitment to environmental protection, and actively promote the philosophy of energy-saving and emission-reduction.

No waste gas or greenhouse gas is directly generated in the operation of the Company, and we prohibit the discharge of pollutants into water and land. Only a small amount of solid waste is generated in our operation and production, and the Company has developed the Solid Waste Management Policy to regulate the discharge of solid waste. We divide waste into three categories, namely non-recyclable, recyclable and hazardous wastes and separate and manage them in accordance with standardized collection and treatment methods.

In addition, the Company has developed a series of management policies, including the Evergrande Centre Centralized Printing Management Policy, the Evergrande Centre Group Office Management Policy and the Group Workplace Management Policy, to promote the implementation of green and low-carbon office practice:

- we post the logos of energy saving and consumption reduction in public areas to conduct green low-carbon publicity and strengthen employees' awareness of environmental protection;

- we recycle waste items such as toners and ink cartridges of printers and fax machines and outdated newspapers and magazines;

- we fully implement electronic office and adopt double-sided printing or recycle the printed paper for use when the printing is necessary in order to reduce the usage and waste of paper;

- we turn off air conditioners and power supplies in non-office hours. If the usage of office equipment is needed for work overtime, an application shall be submitted in order to facilitate employees to establish the awareness of energy saving;

- we adjust air conditioning temperature based on indoor and outdoor temperatures and turn off air conditioners, computers and other office appliances after work to avoid waste of energy.

As at 31 December 2016, the Company's total water consumption was 18,754.46 tonnes and its total power consumption was 712,892.2 kWh.

The impact of our business activities on the environment and natural resources is minimal. As such, the "environment and natural resource" aspect stated in the Guide is not applicable.

Environmental practices

We worked with community property management centres to plan for and promote the "LED energy saving lamp replacement and installation" activity and replaced old fluorescent lights on the street in communities with LED energy saving lights in order to achieve energy-saving and emission-reduction. In addition, with the help of the Internet, we actively promote the concept of environmental protection and put it into practice in communities. We have established a Neighborhood Market function in the HengTen Mimi App, which provided an online platform for users of the HengTen Mimi App to conduct free exchange of idle items among property owners and platform users so as to realize full utilization of resources. It also has an "idle item collection" function, which aims to effectively solve the problems of recycling and treatment of old electronic equipment of property owners and platform users so as to reduce the harm of electronic waste on community natural environment.

We successfully conducted an offline neighborhood market activity in communities including Yujing Bandao community in Foshan. Property owners may participate in the selling of unused items in the offline flea market after signing up online for a stall at the activity.

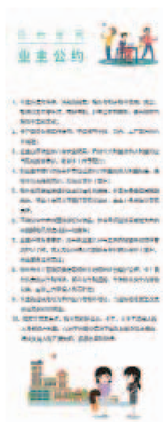
COMMUNITY INVESTMENT

We attach great importance to the fulfilment of corporate social values and actively guide employees, property owners and platform users to dedicate love and contribute to the community through charity donations, poverty alleviation and voluntary teaching. In addition, we leverage the strengths of our core activities and share the fruits of development through creating a high-quality social life sharing platform and building harmonious communities.

BUILDING HARMONIOUS COMMUNITIES

We consider building harmonious neighbourhoods as our own responsibility and aim to break the gap between neighbours and build harmonious and friendly communities by taking into account the needs of community residents and providing them with high-quality products and services.

On the HengTen Mimi platform, we rolled out a "Property Owners' Convention" in view of the situations of various communities and opinions from property owners, which advocates property owners to consciously maintain the community public environment and order, protect the safety of public goods, and build better community life together with property owners. Through the "Post Plaza" and "Topic Club" features of the HengTen Mimi platform, we help property owners search for groups with the same interests and hobbies in the community and narrow the distance between neighbours. In addition, in view of the needs of property owners and community management, we set up a "Voice of property owner" on the HengTen Mimi platform, which provides property owners with a channel to voice themselves and express their opinions and advices for property management and enable them to participate in the development of various communities.



Property Owners' Convention

CHARITABLE ACTIVITIES

In response to the call of the Chinese government for property alleviation, we actively organized employees to provide "one-on-one help" to left-behind children, children with financial difficulties and orphans in Dafang County, Bijie City, Guizhou Province with the aim to solving their problems in life, study and mentality. Up to now, our volunteers have provided one-on-one donations to 16 poor children.

Upon completion of the one-on-one pairing, we made charitable donations to the children in need in view of their own situations, and conducted "Happy home visits" or "Happy connection" interviews of the children in need to understand their recent situations and provide timely assistance to help them grow healthily and happily. In addition, we donated items to people in need through 36,000 care packages donation stations across China established by China Foundation for Poverty Alleviation at the outlets of China Post and passed the items donated to people in need of help.

In addition, we leveraged our influence to encourage property owners to participate in charitable activities and donate funds or clothes in order to send love to people in need. For instance, in August 2016, we organized the property owners of Jinbi Yayuan in Guangzhou to participate in the clothing donations, in which a total of approximately 400 pieces of clothes in 23 bags were donated.

During the Reporting Period, the employees of HengTen Networks provided a total of 1,070 hours of volunteer services and 62 non-cash donations, including clothes and other care packages to people in need.

INDEPENDENT AUDITOR'S REPORT

pwc

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 64 to 142, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- 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 2016, 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 matters identified in our audit are summarised as follows:

- Capitalisation and amortisation of internal development costs
- Reversal of provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalisation and amortisation of internal development costs Refer to Note 2.6 – accounting policy of intangible assets and Note 4 – Critical accounting estimates and judgments to the consolidated financial statements. During the year ended 31 December 2016, the Group capitalised an internally generated intangible asset of approximately HK$6,710,000 in relation to the staff costs of project development team incurred on upgrades of an internet platform used for the Group's internet community services business. The capitalised internal development costs are amortised from the point at which each upgrade is ready for use on a straight-line basis over its estimated useful life of three years. As at 31 December 2016, the carrying amount of the capitalised internal development costs was approximately HK$5,763,000.	We have performed the following procedures to address this key audit matter: (i) We obtained a breakdown, by value, of all individual internal development costs capitalised during the year and reconciled this to the amounts recorded in the general ledger. (ii) We tested samples of internal development costs as follows: • we discussed with management to understand their basis of capitalisation of the internal development costs according to the specific requirements of the relevant accounting standard; we further interviewed the project development managers to understand the nature of the project and corroborated this understanding with management's explanation to support the capitalisation of the costs;

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to the significance of the costs capitalised and the fact that there were judgments applied by management in assessing whether the criteria set out in the relevant accounting standards required for capitalisation of such costs have been met, including whether the upgrades on internet platform can generate probable future economic benefits, and whether costs incurred were directly attributable to the development of the internet platform. Management's estimate was also required in determining the expected useful lives of the upgrades on internet platform based over which amortisation was made.	• we evaluated management's forecast on the probable future economic benefits to be generated by the project by checking the traffic and number of transactions on the internet platform after those upgrades; • we checked to detailed development logs and code submission records, which reflected the nature, timing and responsible person of work performed to determine whether staff costs incurred were directly attributable to the upgrades; • we recalculated the capitalised costs using the actual unit staff costs multiplied by hours involved for the upgrades. (iii) We evaluated and challenged the estimate made by management on the expected useful lives of the internal development costs at the end of the reporting period by comparing them with those adopted by peer companies in the market. We found that management's judgments on the capitalisation of internal development costs and its estimate on their expected useful lives were properly supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Reversal of provision	
Refer to Note 2.22 – accounting policy of provision and Note 4 – Critical accounting estimates and judgments to the consolidated financial statements. At the end of each reporting period, the Group determined the provision for value-added taxes and income taxes based on the reported financial results and management's estimation. However there were certain transactions and calculations for which the ultimate determination was uncertain and therefore the final tax outcome may be different from the provision amounts that were initially recorded by the Group. For the year ended 31 December 2016, the Group has reassessed its tax provision balances and the related tax risks arising from uncertainties. Based on this reassessment, the Group reversed a total provision of approximately HK$17,397,000 made in prior years which was determined to be unnecessary in light of the current situation. We focused on this area due to the significance of the amounts and the fact that significant judgments were involved in assessing the tax risks relevant to the Group in order to determine the provision amounts at the end of the year.	We have performed the following procedures to address this key audit matter: (i) We discussed with management and understood the basis of their judgments and estimation. (ii) We inspected the Group's correspondences with local tax bureau to confirm management's representation that there were no enquiry from local tax bureau on the Group's tax position. (iii) We involved our tax specialists to assess and challenge the Group's judgments on the tax risks relevant to the Group and the basis of accounting for the provisions at the end of the reporting period. (iv) We tested the accuracy and completeness of the underlying data used in the tax provision calculations provided by management and reconciled them to supporting evidence. (v) We recalculated the reversal of the provision amounts and agreed to the amounts recorded by the Group in the consolidated financial statements. We found that management's judgments and estimation on the reversal of tax provision were properly supported by the available evidence.

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, related safeguards.

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, 21 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**40,424**	3,804
Intangible assets	7	**6,856**	–
Deferred tax assets	21	**2,594**	–
Land use rights	8	**388**	736
Investment properties	9	**17,248**	19,992
Available-for-sale financial assets	10	**795**	765
Prepayments	13	**5,779**	–
		74,084	25,297
Current assets			
Inventories	11	**2,475**	2,979
Trade receivables	12	**23,791**	19,072
Other receivables and prepayments	13	**12,799**	4,802
Financial assets at fair value through profit or loss	14	**51,240**	50,020
Cash and cash equivalents	16	**936,487**	764,136
		1,026,792	841,009
Total assets		**1,100,876**	866,306
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	**149,199**	147,179
Share premium	17	**5,393,295**	5,193,669
Other reserves	18	**16,402**	20,329
Accumulated losses		**(4,630,286)**	(4,633,821)
		928,610	727,356
Non-controlling interests	35(a)	**4,677**	4,627
Total equity		**933,287**	731,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**60,000**	60,000
Obligations under finance leases	20	**515**	300
Deferred tax liabilities	21	**3,776**	4,266
		64,291	64,566
Current liabilities			
Trade payables	22	**13,097**	6,124
Advance receipts and other payables	23	**83,735**	54,310
Current income tax liabilities		**6,278**	9,113
Obligations under finance leases	20	**188**	210
		103,298	69,757
Total liabilities		**167,589**	134,323
Total equity and liabilities		**1,100,876**	866,306

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

The financial statements on pages 64 to 142 were approved by the Board of Directors on 21 March 2017 and were signed on its behalf.

Zhang Xiaohua
Director

Huang Xiangui
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December 2016** *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Revenue	*5*	**132,503**	101,049
Cost of sales	*24*	**(75,816)**	(73,939)
Gross profit		**56,687**	27,110
Selling and marketing costs	*24*	**(8,873)**	(3,371)
Administrative expenses	*24*	**(41,067)**	(45,321)
Net change in fair value of financial assets at fair value through profit or loss	*5,14*	**1,220**	(22,608)
Other income	*26*	**3,236**	1,093
Other expense	*27*	**(2,937)**	–
Other (losses)/gains – net	*28*	**(1,282)**	2,668
Equity-settled share-based payments	*18(d)*	**–**	(184,808)
Operating profit/(loss)		**6,984**	(225,237)
Finance costs	*29*	**(3,031)**	(2,874)
Finance income	*29*	**1,112**	66
Finance costs – net	*29*	**(1,919)**	(2,808)
Profit/(loss) before income tax		**5,065**	(228,045)
Income tax credit	*30*	**300**	95
Profit/(loss) for the year/period		**5,365**	(227,950)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Other comprehensive income	18(a)		
Items that may be reclassified to profit or loss			
Net gain/(loss) on fair value changes of available-for-sale financial assets		**30**	(145)
Exchange differences on translating foreign operations		**(6,134)**	708
Other comprehensive income for the year/period, net of tax		**(6,104)**	563
Total comprehensive income for the year/period		**(739)**	(227,387)
Profit/(loss) attributable to:			
– owners of the Company		**5,039**	(227,817)
– non-controlling interests		**326**	(133)
		5,365	(227,950)
Total comprehensive income attributable to:			
– owners of the Company		**(789)**	(226,986)
– non-controlling interests		**50**	(401)
		(739)	(227,387)
Earnings/(loss) per share attributable to owners of the Company for the year/period (expressed in HK cents per share)	31		
– Basic earnings/(loss) per share		**0.0062**	(0.29)
– Diluted earnings/(loss) per share		**0.0060**	(0.29)

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 17)	Share premium HK$'000 (Note 17)	Other reserves HK$'000 (Note 18)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (Note 35)	Total (deficit)/ equity HK$'000
Balance at 1 April 2015	312,689	4,133,356	442,739	(4,921,496)	(32,712)	5,028	(27,684)
Comprehensive income							
– Loss for the period	–	–	–	(227,817)	(227,817)	(133)	(227,950)
– Other comprehensive income	–	–	831	–	831	(268)	563
Total comprehensive income	–	–	831	(227,817)	(226,986)	(401)	(227,387)
Transactions with owners							
– Conversion of convertible bonds	43,750	390,371	(423,289)	–	10,832	–	10,832
– Issue of new shares upon exercise of Bonus Warrants *(Note 18(b))*	11,194	119,048	256	–	130,498	–	130,498
– Transaction costs attributable to issue of the New Warrants *(Noted 18(c))*	–	–	(208)	–	(208)	–	(208)
– Reduction of par value per share from HK$0.01 to HK$0.001 *(Note 17(a))*	(330,684)	–	330,684	–	–	–	–
– Transfer to accumulated losses upon reduction of par value per share *(Note 17(a))*	–	–	(330,684)	330,684	–	–	–
– Issue of Subscription shares to Subscribers *(Note 17(a))*	110,230	562,171	–	–	672,401	–	672,401
– Transaction costs attributable to issue of shares upon Subscription	–	(11,277)	–	–	(11,277)	–	(11,277)
– Recognition of equity-settled share-based payments *(Note 18(d))*	–	–	184,808	–	184,808	–	184,808
– Transfer to accumulated losses upon cancellation of share options *(Note 18(d))*	–	–	(184,808)	184,808	–	–	–
Total transactions with owners	(165,510)	1,060,313	(423,241)	515,492	987,054	–	987,054
Balance at 31 December 2015	147,179	5,193,669	20,329	(4,633,821)	727,356	4,627	731,983

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 17)	Share premium HK$'000 (Note 17)	Other reserves HK$'000 (Note 18)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (Note 35)	Total equity HK$'000
Balance at 1 January 2016	147,179	5,193,669	20,329	(4,633,821)	727,356	4,627	731,983
Comprehensive income							
– Profit for the year	–	–	–	5,039	5,039	326	5,365
– Other comprehensive income	–	–	(5,828)	–	(5,828)	(276)	(6,104)
Total comprehensive income	–	–	(5,828)	5,039	(789)	50	(739)
Transactions with owners							
– Issue of new shares upon exercise of Bonus Warrants *(Note 18(b))*	2,020	199,626	397	–	202,043	-	202,043
– Transfer to statutory reserve	-	-	1,504	(1,504)	-	-	-
Total transactions with owners	2,020	199,626	1,901	(1,504)	202,043	-	202,043
Balance at 31 December 2016	149,199	5,393,295	16,402	(4,630,286)	928,610	4,677	933,287

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	32	**36,917**	(11,566)
Interest paid		**(3,031)**	(8,841)
Income tax paid		**(5,451)**	(2,226)
Net cash generated from/(used in) operating activities		**28,435**	(22,633)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(47,185)**	(258)
Purchase of intangible assets		**(8,015)**	–
Proceeds from disposal of property, plant and equipment		**100**	275
Proceeds from disposal of land use rights		**–**	38
Purchase of financial assets at fair value through profit or loss	14	**–**	(121,700)
Proceeds from disposal of financial assets at fair value through profit or loss	14	**–**	73,582
Dividend received from available-for-sale financial assets		**71**	53
Interest received from unlisted convertible bonds and saving deposits		**1,112**	303
Net cash used in investing activities		**(53,917)**	(47,707)
Cash flows from financing activities			
Proceeds from issue of shares upon Subscription	17(a)	**–**	672,401
Transactions costs attributable to issue of shares upon Subscription	17(a)	**–**	(11,277)
Proceeds from exercise of Bonus Warrants	18(b)	**202,043**	130,498
Transaction costs attributable to issue of New Warrants	18(c)	**–**	(208)
Repayment of obligations under finance leases		**(266)**	(235)
Net cash generated from financing activities		**201,777**	791,179
Net increase in cash and cash equivalents		**176,295**	720,839
Cash and cash equivalents at beginning of year/period		**764,136**	45,843
Exchange loss on cash and cash equivalents		**(3,944)**	(2,546)
Cash and cash equivalents at end of year/period		**936,487**	764,136

The notes on pages 71 to 142 are an integral part of these 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 ultimate holding company of the Company is China Evergrande Group ("Evergrande", formerly known as "Evergrande Real Estate Group Limited").

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$"), 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 21 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year/period presented, unless otherwise stated.

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"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

Pursuant to a resolution of the Board dated 22 December 2015, the financial year end date of the Company has been changed from 31 March to 31 December to align with the financial year end date of its ultimate holding company, Evergrande, and thereby facilitate the preparation of the consolidated financial statements of Evergrande. Accordingly, the current financial period covers a twelve-month period from 1 January 2016 to 31 December 2016 and the comparative financial period covers a nine-month period from 1 April 2015 to 31 December 2015. The comparative figures for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes thereto are not directly comparable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on or after 1 January 2016.

HKFRS 14	Regulatory deferral accounts
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKAS 16 and 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 1 (Amendment)	Disclosure initiative
Annual improvements 2014	Annual improvements to HKFRS 2012-2014 cycle
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKAS 16 and 41 (Amendments)	Agriculture: bearer plants

The adoption of the new and amended standards does not have significant impact on the consolidated financial statements, other than certain disclosures.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group*** *(continued)*

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

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group*** *(continued)*

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

At this stage, the Group is not able to estimate the impact of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy as set out in Note 2.26. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statement of financial position. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

(c) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.3 Segment reporting

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

2.4 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 HK$, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances (continued)

Foreign exchange gain and losses that relate to borrowings and cash and cash equivalents denominated in foreign currencies are presented in profit or loss within "finance costs". All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within "other (losses)/gains – net".

(c) Group entities

The results and financial positions of the group entities (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 comprehensive income are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 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	5-10 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	5-10 years
Network equipment	3 years
Motor vehicles	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 (losses)/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)*

2.6 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.

Tests for impairment are performed annually. 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.

2.7 Investment properties

Property and land use right that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Investment properties *(continued)*

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction cost are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "change in value of financial assets at fair value through profit or loss" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as "other (losses)/gains – net".

Dividends on available-for-sale equity instruments are recognised in the profit or loss as "other income" when the Group's right to receive payments is established.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.14 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

2.17 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.

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.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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 recognised as an expense in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group entities 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 recognised, 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, the deferred income tax is 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 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.

2.21 Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Share-based payments *(continued)*

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity account.

A cancellation during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) is accounted for as an acceleration of vesting, and therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2.22 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of goods

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

(b) Provision of internet community services

The Group provides design services and internet platform usage services to its customers. For provision of services, revenue is recognised in the accounting period in which the services are rendered, on the basis of actual service hours provided as a proportion of the total service hours to be provided.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.25 Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance costs is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

2.27 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or Directors, where applicable.

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(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 Renminbi ("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:

	HK$ against RMB *HK$'000*	EUR against HK$ *HK$'000*	RMB against HK$ *HK$'000*	Total *HK$'000*
As at 31 December 2016				
Monetary assets				
– Trade receivables and other receivables	**–**	**–**	**86**	**86**
– Cash and cash equivalents	**923**	**166**	**11**	**1,100**
	923	**166**	**97**	**1,186**
Monetary liabilities				
– Trade and other payables	**–**	**–**	**(1,082)**	**(1,082)**
As at 31 December 2015				
Monetary assets				
– Trade receivables and other receivables	–	682	12	694
– Cash and cash equivalents	447	167	6	620
	447	849	18	1,314
Monetary liabilities				
– Trade and other payables	(6)	–	(393)	(399)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) *Foreign exchange risk* (continued)

As at 31 December 2016, there are assets and liabilities of approximately HK$27,421,000 (31 December 2015: approximately HK$24,829,000) and approximately HK$1,185,000 (31 December 2015: approximately HK$1,154,000) denominated in US$, a foreign currency other than the functional currency of respective group entities (HK$). Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

As at 31 December 2016, 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 2016 and the net assets as at 31 December 2016 would have been increased/decreased by approximately HK$87,000 (for the nine months ended 31 December 2015: post-tax loss increased/decreased by approximately HK$83,000).

(b) *Price risk*

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets 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 2016 would increase/decrease by approximately HK$2,562,000 (for the nine months ended 31 December 2015: post-tax loss decreased/increased approximately HK$2,501,000) and the net assets as at 31 December 2016 would increase/decrease by approximately HK$2,602,000 (31 December 2015: the net assets decreased/increased by approximately HK$2,539,000).

(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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) Credit risk

As at 31 December 2016, 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.

The Group has significant concentration of credit risk on trade receivables. At 31 December 2016, 62% (31 December 2015: 60%) 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.

(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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(e) ***Liquidity risk*** *(continued)*

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
At 31 December 2016				
Borrowings	**3,000**	**3,000**	**64,956**	**70,956**
Trade payables	**13,097**	**–**	**–**	**13,097**
Other payables	**44,359**	**–**	**–**	**44,359**
Obligations under finance leases *(Note 20)*	**215**	**215**	**330**	**760**
Total	**60,671**	**3,215**	**65,286**	**129,172**
At 31 December 2015				
Borrowings	3,000	3,000	68,504	74,504
Trade payables	6,124	–	–	6,124
Other payables	34,272	–	–	34,272
Obligations under finance leases *(Note 20)*	230	113	209	552
Total	43,626	3,113	68,713	115,452

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
	HK$'000	*HK$'000*
Total borrowings	**60,703**	60,510
Total assets	**1,100,876**	866,306
Gearing ratio	**6%**	7%

The decrease of gearing ratio is primarily due to the issue of new shares upon exercise of Bonus Warrants.

3.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 9 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's assets that are measured at fair value as at 31 December 2016 and 2015.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

	Level 1 HK$'000	Total HK$'000
As at 31 December 2016		
Assets		
Financial assets at fair value through profit or loss *(Note 14)*	**51,240**	**51,240**
Available-for-sale financial assets *(Note 10)*	**795**	**795**
Total assets	**52,035**	**52,035**
As at 31 December 2015		
Assets		
Financial assets at fair value through profit or loss *(Note 14)*	50,020	50,020
Available-for-sale financial assets *(Note 10)*	765	765
Total assets	50,785	50,785

There were no transfers between levels 1, 2 and 3 during the year/period.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments 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) Capitalisation and amortisation of internal development costs

The Group capitalises costs incurred on development projects relating to the upgrade of the internet platform as intangible assets when recognition criteria are met. Significant judgment is involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits, and whether costs, including employment costs, were directly attributable to relevant projects. Notwithstanding that the Group has used all available information to make this estimation and judgment, inherent uncertainty exists and the capitalised costs may have to be expensed if there are significant changes from previous estimates.

Capitalised development costs are 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. The Group reviews the estimated useful lives of the assets regularly. The amortisation expense for future periods is adjusted if there are significant changes on the useful lives from previous estimates.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of intangible assets and the impairment charge in the period in which such estimate has been changed.

(b) Provision

The Group is subject to turnover and income taxes in the PRC and Hong Kong. Significant judgment 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(continued)*

(c) Estimated impairment of trade and other receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

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

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

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

	Internet community services *HK$'000*	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
Revenue	37,227	2,882	–	92,394	132,503
Rental income *(Note 26)*	–	–	781	–	781
Dividend income from available-for-sale financial assets *(Note 26)*	–	71	–	–	71
Net change in fair value of financial assets at fair value through profit or loss *(Note 14)*	–	1,220	–	–	1,220
	37,227	4,173	781	92,394	134,575
Segment profit/(loss)	8,334	4,173	(3,079)	2,020	11,448
Unallocated corporate expenses					(4,495)
Unallocated finance costs					(1,888)
Profit before income tax					5,065
Depreciation	(8,239)	–	–	(1,555)	(9,794)
Amortisation	(853)	–	–	(307)	(1,160)

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items included in the consolidated statement of comprehensive income for the nine months ended 31 December 2015 are as follows:

	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
Revenue	–	–	101,049	101,049
Rental income *(Note 26)*	–	828	–	828
Dividend income from available-for-sale financial assets *(Note 26)*	53	–	–	53
Net change in fair value of financial assets at fair value through profit or loss (Note 14)	(22,608)	–	–	(22,608)
	(22,555)	828	101,049	79,322
Segment (loss)/profit	(23,639)	(94)	2,054	(21,679)
Unallocated corporate expenses				(203,759)
Unallocated other income				243
Unallocated finance costs				(2,850)
Loss before income tax				(228,045)
Depreciation	–	–	(887)	(887)
Amortisation	–	–	(247)	(247)

5 SEGMENT INFORMATION *(continued)*

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

	Internet community services *HK$'000*	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	69,019	52,035	17,248	19,930	158,232
Unallocated property, plant and equipment					46
Unallocated other receivables and prepayments					3,517
Deferred tax assets					2,594
Cash and cash equivalents					936,487
Consolidated total assets					1,100,876
LIABILITIES					
Segment liabilities	52,907	–	–	30,803	83,710
Unallocated advance receipts and other payables					13,825
Unallocated borrowings					60,000
Current income tax liabilities					6,278
Deferred tax liabilities					3,776
Consolidated total liabilities					167,589

5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2015 are as follows:

	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	50,785	19,992	28,194	98,971
Unallocated property, plant and equipment				81
Unallocated other receivables and prepayments				3,118
Cash and cash equivalents				764,136
Consolidated total assets				866,306
LIABILITIES				
Segment liabilities	–	–	33,190	33,190
Unallocated advance receipts and other payables				27,754
Unallocated borrowings				60,000
Current income tax liabilities				9,113
Deferred tax liabilities				4,266
Consolidated total liabilities				134,323

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

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

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

Geographical information

The Group's operations are located in Hong Kong and the PRC for the year ended 31 December 2016 (for the nine months ended 31 December 2015: Hong Kong and the PRC).

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.

5 SEGMENT INFORMATION *(continued)*

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

	Year ended 31 December 2016	Nine months ended 31 December 2015
	HK$'000	*HK$'000*
PRC	**47,993**	13,560
Europe	**45,474**	56,759
Hong Kong	**15,552**	4,760
Others	**23,484**	25,970
	132,503	101,049

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

	Year ended 31 December 2016	Nine months ended 31 December 2015
	HK$'000	*HK$'000*
Sales of goods	**92,394**	101,049
Provision of internet community services	**37,227**	–
Dividend income	**2,882**	–
	132,503	101,049

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

	31 December 2016	31 December 2015
	HK$'000	*HK$'000*
PRC	**69,025**	23,009
Hong Kong	**1,670**	1,523
	70,695	24,532

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Network equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2015							
Cost	7,703	2,908	7,490	4,244	–	4,622	26,967
Accumulated depreciation	(6,579)	(1,653)	(7,201)	(2,696)	–	(3,724)	(21,853)
Net book amount	1,124	1,255	289	1,548	–	898	5,114
Nine months ended 31 December 2015							
Opening net book amount	1,124	1,255	289	1,548	–	898	5,114
Additions	–	–	41	217	–	–	258
Currency translation differences	(51)	(53)	(11)	(32)	–	(1)	(148)
Disposals	–	(86)	–	(9)	–	–	(95)
Depreciation	(276)	(332)	(117)	(428)	–	(172)	(1,325)
Closing net book amount	797	784	202	1,296	–	725	3,804
At 31 December 2015							
Cost	7,275	2,424	6,916	4,317	–	4,040	24,972
Accumulated depreciation	(6,478)	(1,640)	(6,714)	(3,021)	–	(3,315)	(21,168)
Net book amount	797	784	202	1,296	–	725	3,804
Year ended 31 December 2016							
Opening net book amount	**797**	**784**	**202**	**1,296**	**–**	**725**	**3,804**
Additions	**–**	**190**	**6**	**257**	**47,358**	**459**	**48,270**
Currency translation differences	**(33)**	**(29)**	**(8)**	**(27)**	**(1,672)**	**–**	**(1,769)**
Disposals	**–**	**–**	**–**	**(58)**	**–**	**–**	**(58)**
Depreciation	**(347)**	**(384)**	**(91)**	**(522)**	**(8,227)**	**(252)**	**(9,823)**
Closing net book amount	**417**	**561**	**109**	**946**	**37,459**	**932**	**40,424**
At 31 December 2016							
Cost	**6,847**	**2,491**	**5,998**	**4,329**	**45,334**	**3,398**	**68,397**
Accumulated depreciation	**(6,430)**	**(1,930)**	**(5,889)**	**(3,383)**	**(7,875)**	**(2,466)**	**(27,973)**
Net book amount	**417**	**561**	**109**	**946**	**37,459**	**932**	**40,424**

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 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Cost of sales	**5,381**	117
Other expense	**2,937**	–
Administrative expenses	**1,505**	1,208
	9,823	1,325

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Cost – capitalised finance leases	**943**	1,144
Accumulated depreciation	**(241)**	(418)
Currency translation differences	**–**	(1)
Net book amount	**702**	725

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between 2 and 5 years, and ownership of the assets lie within the Group.

7 INTANGIBLE ASSETS

	Acquired internet platform *HK$'000*	Capitalised development costs *HK$'000*	Total *HK$'000*
Year ended 31 December 2016			
Opening net book amount	–	–	–
Additions	1,305	6,710	8,015
Currency translation differences	(49)	(257)	(306)
Amortisation charge	(163)	(690)	(853)
Closing net book amount	1,093	5,763	6,856
At 31 December 2016			
Cost	1,249	6,423	7,672
Accumulated amortisation	(156)	(660)	(816)
Net book amount	1,093	5,763	6,856

Amortisation of approximately HK$853,000 was included in "cost of sales" in the consolidated statement of comprehensive income.

8 LAND USE RIGHTS

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Opening net book amount	736	1,034
Amortisation	(307)	(247)
Currency translation differences	(30)	(48)
Disposals	(11)	(3)
Closing net book amount	388	736

Land use rights comprise cost of acquiring rights to use certain land, which are located in the PRC, for self-use buildings over fixed periods.

The leasehold land is amortised on a straight-line basis over the remaining term of the lease.

9 INVESTMENT PROPERTIES

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Balance at the beginning of the year/period	**19,992**	21,546
Fair value losses *(Note 28)*	**(1,638)**	(372)
Currency translation differences	**(1,106)**	(1,182)
Balance at the end of the year/period	**17,248**	19,992
Unrealised losses on properties revaluation included in the consolidated statement of comprehensive income (included in "other (losses)/gains – net" *(Note 28)*)	**(1,638)**	(372)

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by Asset Appraisal Limited, an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at 30 June 2016 and 31 December 2016, in line with the Group's interim and annual reporting dates.

(b) Valuation techniques

Valuations were based on market comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as property size.

There were no changes to the valuation techniques during the year/period.

9 INVESTMENT PROPERTIES *(continued)*

(c) *Information about fair value measurements using significant unobservable inputs (level 3)*

Description	Fair value at 31 December 2016 *HK$'000*	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs to fair value
Industrial and dormitory buildings	17,248	Level 3	Market comparison approach	Unit price per square meter	HK$1,080 to HK$1,667 per square meter	The higher the unit price per square meter, the higher the fair value

Description	Fair value at 31 December 2015 *HK$'000*	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs of fair value
Industrial and dormitory buildings	19,992	Level 3	Market comparison approach	Unit price per square meter	HK$1,143 to HK$1,690 per square meter	The higher the unit price per square meter, the higher the fair value

(d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2016 ***HK$'000***	Nine months ended 31 December 2015 *HK$'000*
Rental income *(Note 26)*	**781**	828
Direct operating expenses arising from investment properties that generate rental income	**(692)**	(655)

As at 31 December 2016, no investment properties (31 December 2015: nil) were pledged as collateral for the Group's borrowings.

As of 31 December 2016 and 31 December 2015, investment properties held by certain subsidiaries located in the PRC were with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Unit trusts at fair value	**795**	765

Movements of available-for-sale financial assets are as follows:

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Balance at the beginning of the year/period	**765**	910
Net gains/(losses) transfer to/(from) equity	**30**	(145)
Balance at the end of the year/period	**795**	765

Unlisted unit trusts represent investment in funds in the United States. These funds principally invest in corporate bonds in the United States which are rated below the investment grade. These funds are denominated in HK$.

The fair values of unlisted unit trusts are based on the redemption price observed on the website of the trusts. The fair values are within level 1 of the fair value hierarchy (Note 3.3).

11 INVENTORIES

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Raw materials	**500**	546
Work in progress	**332**	388
Finished goods	**1,643**	2,045
	2,475	2,979

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately HK$55,274,000 (for the nine months ended 31 December 2015: approximately HK$65,566,000), which included reversal of write-down of inventories of approximately HK$16,000 (for the nine months ended 31 December 2015: write-down of inventories approximately HK$4,000).

As at 31 December 2016, inventories with cost of approximately HK$24,000 (31 December 2015: approximately HK$325,000) was considered as obsolete. A full provision of approximately HK$24,000 (31 December 2015: approximately HK$325,000) was made as at 31 December 2016.

12 TRADE RECEIVABLES

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Trade receivables		
– Third parties	**27,339**	23,567
– A related party *(Note 34(d))*	**988**	–
Trade receivables – gross	**28,327**	23,567
Less: allowance for doubtful debts (b)	**(4,536)**	(4,495)
Trade receivables – net	**23,791**	19,072

Trade receivables were denominated in the following currencies:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
– US$	**14,277**	15,366
– RMB	**14,050**	7,542
– EUR	**–**	659
	28,327	23,567

(a) Trade receivables mainly arose from manufacture and sales of accessories and internet community services. The Group allows an average credit period ranging from 60 to 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 2016 *HK$'000*	31 December 2015 *HK$'000*
Within 60 days	**19,369**	11,839
61 days to 150 days	**4,422**	7,148
151 days to 365 days	**–**	85
	23,791	19,072

12 TRADE RECEIVABLES *(continued)*

(a) *(continued)*

As at 31 December 2016, trade receivables of approximately HK$3,666,000 (31 December 2015: approximately HK$5,683,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Within 60 days	**3,232**	5,105
61 days to 150 days	**434**	578
	3,666	5,683

As at 31 December 2016, trade receivables of approximately HK$4,536,000 (31 December 2015: approximately HK$4,495,000) were fully impaired. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. The Group's policy on allowance for doubtful debts is based on the evaluation of collectability, ageing of accounts and on management's judgment including credit worthiness and past collection history of each customer.

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

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Balance at the beginning of the year/period	**4,495**	4,836
Impairment losses recognised	**144**	49
Amounts written off as uncollectible	**–**	(20)
Amounts recovered during the year/period	**(48)**	(315)
Currency translation differences	**(55)**	(55)
Balance at the end of the year/period	**4,536**	4,495

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

13 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Deductible input value-added tax	6,663	–
Prepayments	6,420	302
Amounts due from a related party *(Note 34(d))*	3,123	2,727
Other receivables	2,372	1,773
	18,578	4,802
Less: non-current portion of prepayments (a)	(5,779)	–
	12,799	4,802

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

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
– RMB	14,626	1,231
– HK$	3,927	3,446
– US$	25	102
– EUR	–	23
	18,578	4,802

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Held-for-trading investments	51,240	50,020

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

Movements for the financial assets at fair value through profit or loss:

	Year ended 31 December 2016	Nine months ended 31 December 2015		
	Held-for-trading investments	Held-for-trading investments	Unlisted convertible bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year/period	**50,020**	–	24,510	24,510
Additions	**–**	121,700	–	121,700
Changes in fair values recognised in profit or loss	**1,220**	(18,098)	(4,510)	(22,608)
Disposals	**–**	(53,582)	(20,000)	(73,582)
Balance at the end of the year/period	**51,240**	50,020	–	50,020

The change in fair values of financial assets at fair value through profit or loss included unrealised gain of approximately HK$1,220,000 (for the nine months ended 31 December 2015: realised loss of approximately HK$7,990,000 and unrealised loss of approximately HK$14,618,000)

As at 31 December 2016, held-for-trading investments represented the Group's equity investments in certain Hong Kong listed companies, which were quoted in the Main Board of 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).

15 FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2016 HK$'000	31 December 2015 HK$'000
Assets:		
Loans and receivables		
– Trade receivables	23,791	19,072
– Other receivables excluding prepayments and deductible value-added taxes	5,495	4,500
– Cash and cash equivalents	936,487	764,136
	965,773	787,708
Financial assets at fair value through profit or loss	51,240	50,020
Available-for-sale financial assets	795	765
Total financial assets	1,017,808	838,493
Liabilities:		
Financial liabilities at amortised cost		
– Borrowings	60,000	60,000
– Trade payables	13,097	6,124
– Advance receipts and other payables excluding provisions for other taxes, accrued expenses and advance receipts	44,359	34,272
– Obligations under finance leases	703	510
Total financial liabilities	118,159	100,906

16 CASH AND CASH EQUIVALENTS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Cash at bank and in hand:		
– HK$	815,469	739,325
– RMB	107,793	11,695
– US$	13,059	12,947
– Other currencies	166	169
	936,487	764,136

Cash at banks earns interest at floating daily bank deposit rates.

17 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Note	**Number of ordinary shares**	**Share capital** *HK$'000*	**Share premium** *HK$'000*
At 1 April 2015		31,268,921,605	312,689	4,133,356
Issue of new shares upon conversion of convertible bonds		4,375,000,000	43,750	390,371
Issue of new shares upon exercise of Bonus Warrants before the Share Consolidation	*18(b)(ii)*	1,099,324,677	10,993	98,939
Issue of new shares upon exercise of Bonus Warrants after the Share Consolidation	*18(b)(ii)*	102,821,650	201	20,109
Reduction of par value per share from HK$0.01 to HK$0.001	*(a)(i)*	–	(330,684)	–
Issue of subscription shares to subscribers	*(a)(ii)*	110,229,738,846	110,230	562,171
Transaction costs attributable to issue of new shares	*(a)(ii)*	–	–	(11,277)
Share Consolidation	*(a)(iii)*	(73,486,492,564)	–	–
At 31 December 2015		73,589,314,214	147,179	5,193,669
At 1 January 2016		**73,589,314,214**	**147,179**	**5,193,669**
Issue of new shares upon exercise of Bonus Warrants	*18(b)(iv)*	**1,010,219,233**	**2,020**	**199,626**
At 31 December 2016		**74,599,533,447**	**149,199**	**5,393,295**

(a) Subscription in 2015

During the nine months ended 31 December 2015, the Company carried out, among others, (i) a capital reorganisation, (ii) issue of new shares and unlisted new warrants and (iii) a share consolidation.

(i) Capital Reorganisation

The capital reorganisation involved reduction of nominal value of each issued share from par value of HK$0.01 each to HK$0.001 each by cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each issued share and subdivision of each of the authorised but unissued shares of HK$0.01 each into 10 shares of par value of HK$0.001 each (the "Capital Reorganisation"). The proposal for the Capital Reorganisation has obtained shareholders' approval at a special general meeting of the Company held on 15 October 2015 and became effective on 16 October 2015. The share capital cancelled which amounted to HK$330,684,000 were then reclassified into contributed surplus reserve.

Pursuant to the resolution of the special general meeting of the Company on 15 October 2015, contributed surplus reserve was transferred to set off accumulated losses.

17 SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(a) Subscription in 2015 *(continued)*

(ii) Issue of new shares and unlisted New Warrants

The issue of new shares and unlisted new warrants related to the subscription agreement entered into between, among others, the Company, Evergrande, Mount Yandang Investment Limited ("Mount Yandang") and Tencent Holdings Limited ("Tencent") on 15 June 2015 and supplemented on 2 October 2015 (the "Subscription Agreement"). Evergrande, Mount Yandang and Tencent were independent of and not connected to the Group and/or the directors of the Company at the date of the Subscription Agreement. Pursuant to the Subscription Agreement, Evergrande and Mount Yandang agreed to subscribe for, and the Company agreed to allot and issue:

- new ordinary shares at a price of HK$0.0061 per share which represents 75.0% of the enlarged total issued share capital of the Company immediately after the issue of the new shares; and
- new warrants at an aggregate nominal consideration of HK$2, subject to the terms of the Subscription Agreement (the "New Warrants"). The initial exercise price of the New Warrants is HK$0.0061 per share, subject to adjustments. The subscription period of the New Warrants is five years from the date of issue.

As a result of the completion of the Capital Reorganisation and fulfilment of other conditions as set out in the Subscription Agreement, 80,835,141,820 new ordinary shares of HK$0.001 each and HK$57,418,811 New Warrants were issued to a wholly-owned subsidiary of Evergrande and 29,394,597,026 new ordinary shares of HK$0.001 each and HK$20,879,568 New Warrants were issued to a wholly-owned subsidiary of Tencent (collectively referred to as the "Subscriptions") on 26 October 2015. The gross proceeds received by the Company amounted to approximately HK$672,401,000 and transaction costs of approximately HK$11,277,000 were recognised in equity.

(iii) Share Consolidation

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

As a result of the Share Consolidation, (i) the initial exercise price of each of the existing warrant was adjusted from HK$0.1 per share to HK$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the existing warrants will be adjusted accordingly and (ii) the initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share. Shares numbers issued adjusted from 146,972,985,128 shares to 73,486,492,564 consolidated shares due to the Share Consolidation.

18 OTHER RESERVES

	Note	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Investment revaluation reserve HK$'000	Contributed surplus reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Reserve fund HK$'000	Enterprise expansion reserve HK$'000	Share option reserve HK$'000	Total HK$'000
Balance at 1 April 2015		(1,057)	423,289	(73)	–	13,901	4,512	1,084	1,083	–	442,739
Net loss on fair value changes of available-for-sale financial assets	(a)	–	–	(145)	–	–	–	–	–	–	(145)
Exchange differences on translating foreign operations	(a)	–	–	–	–	–	976	–	–	–	976
Conversion and revision of terms of convertible bonds		–	(423,289)	–	–	–	–	–	–	–	(423,289)
Issue of new shares upon exercise of Bonus Warrants	(b)(ii)	256	–	–	–	–	–	–	–	–	256
Transaction costs attributable to issue of New Warrants	(c)	(208)	–	–	–	–	–	–	–	–	(208)
Reduction of par value per share from HK$0.01 to HK$0.001	17(a)(i)	–	–	–	330,684	–	–	–	–	–	330,684
Transfer to accumulated losses upon reduction of par value	17(a)(i)	–	–	–	(330,684)	–	–	–	–	–	(330,684)
Recognition of equity-settled share-based payments	(d)	–	–	–	–	–	–	–	–	184,808	184,808
Transfer to accumulated losses upon cancellation of share options	(d)	–	–	–	–	–	–	–	–	(184,808)	(184,808)
Balance at 31 December 2015		(1,009)	–	(218)	–	13,901	5,488	1,084	1,083	–	20,329

	Note	Warrants reserve HK$'000	Investment revaluation reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Reserve fund HK$'000	Enterprise expansion reserve HK$'000	Total HK$'000
Balance at 1 January 2016		(1,009)	(218)	13,901	5,488	–	1,084	1,083	20,329
Net gain on fair value changes of available-for-sale financial assets	(a)	–	30	–	–	–	–	–	30
Transfer to statutory reserves	(e)	–	–	–	–	1,504	–	–	1,504
Exchange differences on translating foreign operations	(a)	–	–	–	(5,858)	–	–	–	(5,858)
Issue of new shares upon exercise of Bonus Warrants	(b)(iv)	397	–	–	–	–	–	–	397
Balance at 31 December 2016		(612)	(188)	13,901	(370)	1,504	1,084	1,083	16,402

18 OTHER RESERVES *(continued)*

(a) Other comprehensive income

	Year ended 31 December 2016		
	Other reserves attributable to owners of the Company *HK$'000*	**Non-controlling interests** *HK$'000*	**Total other comprehensive income** *HK$'000*
Items that may be reclassified subsequently to profit or loss:			
Net gain on fair value changes of available-for-sale financial assets	**30**	**–**	**30**
Tax charge	**–**	**–**	**–**
	30	**–**	**30**
Exchange differences on translating foreign operations	**(5,858)**	**(276)**	**(6,134)**
Tax charge	**–**	**–**	**–**
	(5,858)	**(276)**	**(6,134)**
Total other comprehensive income – net of tax	**(5,828)**	**(276)**	**(6,104)**

	Nine months ended 31 December 2015		
	Other reserves attributable to owners of the Company *HK$'000*	Non-controlling Interests *HK$'000*	Total other comprehensive income *HK$'000*
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes of available-for-sale financial assets	(145)	–	(145)
Tax charge	–	–	–
	(145)	–	(145)
Exchange differences on translating foreign operations	976	(268)	708
Tax charge	–	–	–
	976	(268)	708
Total other comprehensive income – net of tax	831	(268)	563

18 OTHER RESERVES *(continued)*

(b) Bonus Warrants

	Number of Bonus Warrants	Warrants reserves *HK$'000*
At 1 April 2015	5,377,924,617	(1,057)
Issue of new shares upon exercise of Bonus Warrants before the Share Consolidation (ii)	(1,099,324,677)	216
Effect of Share Consolidation (iii)	(2,139,299,970)	–
Issue of new shares upon exercise of Bonus Warrants after the Share Consolidation (ii)	(102,821,650)	40
At 31 December 2015	2,036,478,320	(801)
At 31 January 2016	**2,036,478,320**	**(801)**
Issue of new shares upon exercise of Bonus Warrants (iv)	**(1,010,219,233)**	**397**
At 31 December 2016	**1,026,259,087**	**(404)**

(i) In December 2014, the directors of the Company proposed the issue of Bonus Warrants (the "Bonus Warrants") at nil consideration to existing shareholders of the Company on the basis of one Bonus Warrant for every five existing ordinary shares of the Company held on 11 February 2015. 5,378,641,037 Bonus Warrants were issued on 24 February 2015. Transaction costs of approximately HK$1,058,000 were recognised in equity as "warrants reserves".

Each Bonus Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial exercise price of HK$0.1 per share, subject to antidilutive adjustments. It is exercisable at any time during a period of 24 months commencing from 24 February 2015 to 23 February 2017. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) During the nine months ended 31 December 2015, 1,202,146,327 Bonus Warrants had been exercised by the holders thereof and 1,202,146,327 ordinary shares were issued and allotted by the Company to these holders. The Group received gross proceeds of approximately HK$130,498,000 from such exercise of the Bonus Warrants, among which approximately HK$11,194,000 recognised in share capital, approximately HK$119,048,000 recognised in share premium and approximately HK$256,000 recognised in warrants reserves.

(iii) On 27 October 2015, as a result of the Share Consolidation, the initial exercise price of each of the existing warrant was adjusted from HK$0.1 per share to HK$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the existing warrants will be adjusted accordingly (Note 17(a)(iii)).

18 OTHER RESERVES *(continued)*

(b) Bonus Warrants (continued)

(iv) During the year ended 31 December 2016, 1,010,219,233 Bonus Warrants had been exercised by the holders thereof and 1,010,219,233 ordinary shares were issued and allotted by the Company to these holders. The Group received gross proceeds of approximately HK$202,043,000 from such exercise of the Bonus Warrants, among which approximately HK$2,020,000 recognised in share capital, approximately HK$199,626,000 recognised in share premium and approximately HK$397,000 recognised in warrants reserves.

(c) New Warrants

	Number of New Warrants	Warrants reserves *HK$'000*
At 1 April 2015	–	–
Issue of New Warrants *(Note 17(a)(ii))*	12,835,799,820	–
Transaction costs attributable to issue of New Warrants	–	(208)
Effect of Share Consolidation *(Note 17(a)(iii))*	(6,417,899,910)	–
At 31 December 2015 and 31 December 2016	6,417,899,910	(208)

As at 31 December 2015, each New Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial exercise price of HK$0.0061 per share, subject to antidilutive adjustments. The initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share as a result of the Share Consolidation on 27 October 2015. It is exercisable at any time during a period of five years commencing from 26 October 2015 to 25 October 2020. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. Transaction costs of approximately HK$208,000 were recognised in equity as "warrants reserves".

(d) On 22 April 2015, the Company granted share options to two directors of the Company and several eligible employees (the "Grantees") under the Company's share option scheme adopted on 31 October 2013 (the "2013 Option Scheme"), under which the option holders are entitled to subscribe for an aggregate of 2,223,507,839 shares of the Company at the exercise price of HK$0.275 per share upon the date of grant.

On 22 May 2015, all Grantees agreed with the Company to cancel all share options granted to them under the 2013 Option Scheme without getting any compensation in return and the balance of share option reserves recognised under the 2013 Option Scheme, which amounted to approximately HK$184,808,000, was transferred to accumulated losses accordingly during the nine months ended 31 December 2015.

18 OTHER RESERVES *(continued)*

(e) 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.

19 BORROWINGS

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Borrowings included in non-current liabilities:		
Other borrowings – unsecured	**60,000**	60,000

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

The maturity of the Group's borrowings at the end of the year/period are as follows:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
2 – 5 years	**60,000**	60,000

The fair value of the non-current borrowings approximated their carrying amounts.

The effective interest rates were 5% as at 31 December 2016 (5% as at 31 December 2015).

20 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2016 and 31 December 2015, the Group leased motor vehicles under finance leases with lease terms ranging from 2 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.8% to 2.75% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*	**31 December 2016** ***HK$'000***	31 December 2015 *HK$'000*
Amounts payable under finance leases:				
– Within one year	**215**	230	**188**	210
– 1 – 2 years	**215**	113	**197**	101
– 2 – 5 years	**330**	209	**318**	199
	760	552	**703**	510
Less: future finance charges	**(57)**	(42)	**–**	–
Present value of lease obligations	**703**	510	**703**	510
Less: amount due for settlement within one year			**(188)**	(210)
Amount due for settlement after one year			**515**	300

The Group's obligations under the finance leases are secured by the lessor's charge over the leased assets.

21 DEFERRED INCOME TAX

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**555**	–
– Deferred tax asset to be recovered within 12 months	**2,039**	–
	2,594	–
Deferred tax liabilities to be recovered over 12 months	**(3,776)**	(4,266)
Deferred tax liabilities (net)	**(1,182)**	(4,266)

The gross movements on the deferred taxation are as follows:

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Balance at the beginning of the year/period	**(4,266)**	(4,698)
Recognised in income tax credit *(Note 30)*	**2,960**	23
Currency translation differences	**124**	251
Tax credited to convertible bonds equity reserve	**–**	158
Balance at the end of the year/period	**(1,182)**	(4,266)

21 DEFERRED INCOME TAX *(continued)*

The movement in deferred tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses *HK$'000*	Other *HK$'000*	Total *HK$'000*
At 1 January 2016	**–**	**–**	**–**
Recognised in income tax credit	**2,129**	**581**	**2,710**
Currency translation differences	**(90)**	**(26)**	**(116)**
At 31 December 2016	**2,039**	**555**	**2,594**

Deferred tax liabilities	Revaluation of investment properties *HK$'000*	Convertible bonds *HK$'000*	Total *HK$'000*
At 1 April 2015	(4,483)	(215)	(4,698)
Recognised in income tax credit	(34)	57	23
Release on conversion of convertible bonds	–	158	158
Currency translation differences	251	–	251
At 31 December 2015	(4,266)	–	(4,266)
At 1 January 2016	**(4,266)**	**–**	**(4,266)**
Recognised in income tax credit	**250**	**–**	**250**
Currency translation differences	**240**	**–**	**240**
At 31 December 2016	**(3,776)**	**–**	**(3,776)**

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 HK$718,375,000(31 December 2015: approximately HK$716,581,000) in respect of tax losses amounting to approximately HK$4,348,720,000 (31 December 2015: approximately HK$4,339,071,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately HK$9,841,000 (for the nine months ended 31 December 2015: approximately HK$7,465,000) arising from the PRC subsidiaries will expire in various dates up to 2021 (31 December 2015: 2020). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities of approximately HK$752,000 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 approximately HK$15,044,000 at 31 December 2016.

22 TRADE PAYABLES

	31 December 2016 HK$'000	31 December 2015 HK$'000
Trade payables	13,097	6,124

Trade payables were denominated in the following currencies:

	31 December 2016 HK$'000	31 December 2015 HK$'000
– RMB	8,751	3,275
– HK$	4,004	2,213
– US$	342	636
	13,097	6,124

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within 60 days	12,993	6,048
61 days to 150 days	69	23
Over 150 days	35	53
	13,097	6,124

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

23 ADVANCE RECEIPTS AND OTHER PAYABLES

	31 December 2016 HK$'000	31 December 2015 HK$'000
Other payables	44,359	34,272
Advance receipts of internet community services	21,353	–
Accrued expenses	10,842	7,355
Provisions for other taxes	7,181	12,683
	83,735	54,310

23 ADVANCE RECEIPTS AND OTHER PAYABLES *(continued)*

Advance receipts and other payables were denominated in the following currencies:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
– RMB	**74,362**	21,090
– HK$	**8,530**	32,702
– US$	**843**	518
	83,735	54,310

24 EXPENSES BY NATURE

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

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Cost of inventories sold	**55,274**	65,566
Change in finished goods and work in progress	**458**	405
Staff costs (excluding equity-settled share-based payments) *(Note 25)*	**47,126**	31,409
Legal and professional fees	**4,541**	2,517
Depreciation *(Note 6)*	**9,823**	1,325
Advertising and promotion costs	**2,251**	4
Auditors' remuneration		
– Audit services (a)	**2,528**	1,728
– Non-audit services	**1,090**	1,345
Amortisation of land use rights *(Note 8)*	**307**	247
Amortisation of intangible assets *(Note 7)*	**853**	–
Reversal of provisions and other payables (b)	**(14,919)**	–

(a) The remuneration paid and payable to the auditor of the Company amounted to HK$2,400,000. Others were paid to other auditors' for audit services rendered to the subsidiaries of the Company.

(b) During the year ended 31 December 2016, the Group assessed the provisions for the taxes and surcharges in relation with certain transactions for which the ultimate tax determination is uncertain. Management considered provisions of approximately HK$14,919,000 were not necessary and determined to reverse the provisions during the year.

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Wages and salaries	**41,482**	29,159
Pension costs – statutory pension (b)	**2,774**	1,109
Staff welfare	**1,725**	878
Medical benefits	**1,145**	263
	47,126	31,409
Equity-settled share-based payments	**–**	184,808
	47,126	216,217

(a) *Five highest paid individuals*

During the year ended 31 December 2016, the five highest paid individuals include no directors (for the nine months ended 31 December 2015: three). The emoluments of the remaining five (for the nine months ended 31 December 2015: two) individual employees were as follows:

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Salaries and other benefits	**9,577**	5,440
Retirement scheme contributions	**54**	14
	9,631	5,454

The emoluments fell within the following bands:

	No. of employees	
	Year ended 31 December 2016	Nine months ended 31 December 2015
HK$500,001 to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
	5	2

25 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 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Gross scheme contributions	**2,774**	1,109

26 OTHER INCOME

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Network equipment usage and maintenance service income *(Note 34(b))*	**2,277**	–
Rental income	**781**	828
Dividend income from available-for-sale financial assets	**71**	53
Interest income from unlisted convertible bonds	**–**	177
Sundry income	**107**	35
	3,236	1,093

27 OTHER EXPENSE

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Depreciation of leased network equipment	**2,937**	–

28 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Fair value losses on investment properties	**(1,638)**	(372)
Foreign exchange gains	**180**	75
(Allowance for)/reversal of allowance for doubtful debts	**(96)**	266
Written-off of payables	**66**	2,484
Sundry gains	**206**	215
	(1,282)	2,668

29 FINANCE COSTS – NET

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Finance costs:		
– Interests expenses on borrowings	**3,000**	2,478
– Interests expenses on obligations under finance leases	**31**	24
– Interests expenses on convertible bonds	**–**	372
	3,031	2,874
Finance income:		
– Interest income on saving deposits	**(1,112)**	(66)
Finance costs – net	**1,919**	2,808

30 INCOME TAX CREDIT

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Current income tax		
– provision for the year/period	**(5,138)**	(617)
– over-provision in respect of prior year/period	**2,478**	689
	(2,660)	72
Deferred income tax	**2,960**	23
	300	95

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 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Profit/(loss) before income tax	**5,065**	(228,045)
Tax calculated at the tax rates applicable to profits/(losses) in the respective jurisdictions	**2,608**	(37,450)
Reversal of provisions and other payables not subject to tax	**(3,730)**	–
Income not subject to tax	**(18)**	(9)
Expenses not deductible for tax purposes	**1,524**	31,861
Tax losses for which no deferred income tax asset was recognised	**2,429**	6,574
Over-provision in respect of prior years	**(2,478)**	(689)
Utilisation of tax losses previously not recognised	**(635)**	(382)
	(300)	(95)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year/period, 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 2016 (for the nine months ended 31 December 2015: nil).

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (for the nine months ended 31 December 2015: 25%) on the estimated assessable profit for the year/period, based on the existing legislation, interpretations and practices in respect thereof.

31 EARNINGS/(LOSS) PER SHARE

(a) *Basic*

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2016	Nine months ended 31 December 2015
Profit/(loss) attributable to owners of the Company (HK$'000)	**5,039**	(227,817)
Weighted average number of ordinary shares in issue (thousands)	**80,757,903**	79,606,128
Basic earnings/(loss) per share (HK cents per share) for the year/period	**0.0062**	(0.29)

The weighted average number of ordinary shares adopted in the calculation of basic earnings/(loss) per share for the year ended 31 December 2016 and the nine months ended 31 December 2015 have been adjusted for the impact of share consolidation completed on 27 October 2015 and the bonus element implicit in the discount for the new shares and the new warrants issued 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.

31 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) ***Diluted*** *(continued)*

	Year ended 31 December 2016
Profit attributable to owners of the Company (HK$'000)	**5,039**
Weighted average number of ordinary shares in issue (thousands)	**80,757,903**
Adjustments for:	
– Share warrants (thousands)	**3,491,399**
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**84,249,302**
Diluted earnings per share (HK cents per share) for the year	**0.0060**

No potential ordinary shares for the nine months ended 31 December 2015 were dilutive since their conversion to ordinary shares would result in a decrease in loss per share.

32 NET CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Profit/(loss) before income tax	**5,065**	(228,045)
Adjustments for:		
Depreciation *(Note 6)*	**9,823**	1,325
Amortisation of land use rights *(Note 8)*	**307**	247
Amortisation of intangible assets *(Note 7)*	**853**	–
Net change in fair value of financial assets at fair value through profit or loss *(Note 14)*	**(1,220)**	22,608
Other income	**(178)**	(265)
Other losses/(gains) – net	**1,703**	(2,668)
Equity-settled share-based payments	**–**	184,808
Finance costs – net *(Note 29)*	**1,919**	2,808
Changes in working capital:		
Inventories	**575**	616
Trade receivables	**(4,760)**	(1,749)
Other receivables and prepayments	**(13,403)**	1,131
Trade payables	**6,973**	(2,486)
Advance receipts and other payables	**29,260**	10,104
Net cash generated from/(used in) operations	**36,917**	(11,566)

33 COMMITMENTS

(a) Operating leases commitments

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

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Not later than one year	**1,940**	1,380
Later than one year and no later than five years	**204**	923
	2,144	2,303

(b) Capital commitments

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Contracted but not provided for		
– Online platform	**4,245**	110,019

34 RELATED PARTY TRANSACTIONS

The Group is controlled by Evergrande, which owns indirectly 54% of the Company's shares. Mount Yandang owns 20% of the shares and the remaining 26% of the shares are widely held. 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 year ended 31 December 2016 and nine months ended 31 December 2015, 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 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

34 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

	Year ended 31 December 2016 ***HK$'000***	Nine months ended 31 December 2015 *HK$'000*
(i) Rental expenses:		
Mascotte Investments Limited	**1,258**	522
(ii) Revenue from system development and implementation service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**3,311**	–
(iii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**2,277**	–
(iv) Commission revenue:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**974**	–

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December 2016 ***HK$'000***	Nine months ended 31 December 2015 *HK$'000*
Key management compensation		
– Salaries and other employee benefits	**6,367**	7,597

34 RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

As at 31 December 2016, the Group had the following significant balances with related parties:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Due from related parties:		
– Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**988**	–
– A key management personnel (i)	**3,123**	2,727
	4,111	2,727

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

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of the principal subsidiaries of the Company as at 31 December 2016:

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 (%)**	**Proportion of ordinary shares held by non-controlling interests (%)**
Flamm Investment Holdings Limited	Hong Kong	Provision of management services to group entities, Hong Kong	HK$1	100%	100%	–
Sun Mass Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Sun Mass Funding Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Crown Emerald Investments Limited	BVI	Trading of investments, Hong Kong	HK$85,076,371	–	100%	–
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited ("馬斯葛德雅(東莞)皮具製品有限公司") *(Note (i))*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	–	100%	–

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES *(continued)*

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 (%)	Proportion of ordinary shares held by non-controlling interests (%)
Mascotte Industrial Associates Group Limited	BVI	Investment holding, Hong Kong	US$4	–	100%	–
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	–	100%	–
Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd ("馬斯葛志豪照相器材(惠州)有限公司") *(Note (i))*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	US$4,180,000	–	90%	10%
Time Beyond Limited	Hong Kong	Loan financing, Hong Kong	HK$11,547,930	–	100%	–
Begonia Limited	Hong Kong	Investment holding, Hong Kong	HK$1	–	100%	–
Shenzhen HengTen Networks Services Co., Ltd.("深圳市恒騰網絡服務有限公司") *(Note (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") *(Note (i),(ii))*	The PRC, limited liability company	Internet community services, the PRC	–	–	100%	–

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES *(continued)*

Note:

(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.

(ii) In April 2016, Shenzhen HengTen Networks Services Co., Ltd. ("HengTen WFOE") entered into a series of contractual agreements (the "Contractual Arrangements") with a limited liability company Shenzhen HengTen Networks Limited ("HengTen OPCO") and its shareholders. Pursuant to the Contractual Arrangements, HengTen WFOE acquired effective control over HengTen OPCO and became entitled to variable returns from its involvement in HengTen OPCO.

The Company and HengTen WFOE do not have legal ownership in equity of HengTen OPCO. Nevertheless, under certain contractual agreements entered into with the registered owners of HengTen OPCO, the Company and HengTen WFOE control HengTen OPCO by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of HengTen OPCO to the Company and/or HengTen WFOE. As a result, HengTen OPCO is presented as controlled structured entities of the Company.

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2016 was approximately HK$4,677,000 (31 December 2015: approximately HK$4,627,000).

Set out below are the summarised financial information for the subsidiary, Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd, that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Current		
Assets	**51,250**	63,704
Liabilities	**(18,761)**	(34,659)
Total net current assets	**32,489**	29,045
Non-current		
Assets	**18,056**	21,860
Liabilities	**(3,776)**	(4,636)
Total net non-current assets	**14,280**	17,224
Net assets	**46,769**	46,269

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES *(continued)*

(a) *Material non-controlling interests* *(continued)*

Summarised statement of comprehensive income

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Revenue	**19,104**	19,180
Profit/(loss) before income tax	**1,282**	(817)
Income tax credit/(expenses)	**1,982**	(521)
Post-tax profit/(loss)	**3,264**	(1,338)
Other comprehensive income	**(2,764)**	(2,676)
Total comprehensive income	**500**	(4,014)
Total comprehensive income allocated to non-controlling interests	**50**	(401)

Summarised statement of cash flows

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Net cash used in operating activities	**(393)**	(2,241)
Net cash generated from investing activities	**137**	67
Net decrease in cash and cash equivalents	**(256)**	(2,174)
Cash and cash equivalents at the beginning of year/period	**9,629**	12,498
Exchange losses on cash and cash equivalents	**(566)**	(695)
Cash and cash equivalents at the end of year/period	**8,807**	9,629

The information above is the amount before inter-company eliminations.

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**89,260**	89,260
Property, plant and equipment		**46**	81
		89,306	89,341
Current assets			
Amounts due from subsidiaries		**116,103**	153
Other receivables		**268**	228
Cash and cash equivalents		**801,161**	729,534
		917,532	729,915
Total assets		**1,006,838**	819,256
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**149,199**	147,179
Share premium	(a)	**5,393,295**	5,193,669
Other reserves	(a)	**71,589**	71,192
Accumulated losses	(a)	**(4,673,367)**	(4,661,056)
Total equity		**940,716**	750,984
LIABILITIES			
Non-current liabilities			
Borrowings		**60,000**	60,000
Current liabilities			
Other payables and accruals		**6,122**	4,898
Amounts due to subsidiaries		**–**	3,374
		6,122	8,272
Total liabilities		**66,122**	68,272
Total equity and liabilities		**1,006,838**	819,256

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2017 and was signed on its behalf.

Zhang Xiaohua	**Huang Xiangui**
Director	*Director*

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	4,133,356	(1,057)	423,289	72,201	–	(4,972,748)	(344,959)
Loss for the period	–	–	–	–	–	(203,800)	(203,800)
Issue of new shares upon Subscription	562,172	–	–	–	–	–	562,172
Transaction costs attributable to issue of shares upon Subscription	(11,275)	–	–	–	–	–	(11,275)
Transaction costs attributable to issue of new shares	(3)	–	–	–	–	–	(3)
Transaction costs attributable to issue of the New Warrants	–	(208)	–	–	–	–	(208)
Issue of new shares upon exercise of Bonus Warrants	119,048	256	–	–	–	–	119,304
Conversion of convertible bonds	390,371	–	(423,289)	–	–	–	(32,918)
Recognition of equity-settled share-based payments	–	–	–	–	184,808	–	184,808
Transferred to accumulated losses upon cancellation of share options	–	–	–	–	(184,808)	184,808	–
Reduction of par value per share from HK$0.01 to HK$0.001	–	–	–	330,684	–	–	330,684
Transfer to accumulated losses upon reduction of par value	–	–	–	(330,684)	–	330,684	–
At 31 December 2015	5,193,669	(1,009)	–	72,201	–	(4,661,056)	603,805
At 1 January 2016	**5,193,669**	**(1,009)**	**–**	**72,201**	**–**	**(4,661,056)**	**603,805**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(12,311)**	**(12,311)**
Issue of new shares upon exercise of Bonus Warrants	**199,626**	**397**	**–**	**–**	**–**	**–**	**200,023**
At 31 December 2016	**5,393,295**	**(612)**	**–**	**72,201**	**–**	**(4,673,367)**	**791,517**

37 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 2016 is set out below:

	Fees *HK$'000*	**Salary** *HK$'000*	**Contribution to pension scheme** *HK$'000*	**Total** *HK$'000*
Chau Shing Yim, David *(Note (ii))*	**352**	**–**	**–**	**352**
Nie Zhixin *(Note (ii))*	**352**	**–**	**–**	**352**
Chen Haiquan *(Note (ii))*	**352**	**–**	**–**	**352**
Huang Xiangui *(Note (i))*	**211**	**–**	**13**	**224**
Liu Yongzhuo *(Note (i))*	**211**	**–**	**–**	**211**
Zhang Xiaohua *(Note (iii))*	**108**	**–**	**–**	**108**
Peng Jianjun *(Note (i))*	**104**	**–**	**–**	**104**
Shi Zhuomin *(Note (iv))*	**93**	**–**	**–**	**93**
Zhuo Yueqiang *(Note (i))*	**–**	**–**	**–**	**–**
	1,783	**–**	**13**	**1,796**

The remuneration of directors of the Company for the nine months ended 31 December 2015 is set out below:

	Fees *HK$'000*	**Salary** *HK$'000*	**Contribution to pension scheme** *HK$'000*	**Total** *HK$'000*
Chung Yuk Lun *(Note (v),(vii))*	–	1,511	11	1,522
Kwong Kai Sing, Benny *(Note (viii))*	–	1,055	9	1,064
Chow Chi Wah, Vincent *(Note (vi), (vii))*	–	540	11	551
Frank H. Miu *(Note (ix))*	137	–	–	137
Robert James Iaia II *(Note (ix))*	137	–	–	137
Hung Cho Sing *(Note (ix))*	137	–	–	137
Chung Kong Fei Stephen *(Note (ix))*	137	–	–	137
Chau Shing Yim, David *(Note (ii))*	67	–	–	67
Nie Zhixin *(Note (ii))*	67	–	–	67
Chen Haiquan *(Note (ii))*	67	–	–	67
Peng Jianjun *(Note (i))*	40	–	–	40
Liu Yongzhuo *(Note (i))*	40	–	–	40
Huang Xiangui *(Note (i))*	40	–	–	40
Zhuo Yueqiang *(Note (i))*	–	–	–	–
	869	3,106	31	4,006

37 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) *Directors' and chief executive's emolument*s *(continued)*

Note:

(i) Mr. Peng Jianjun, Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang have been appointed as executive directors of the Company with effect from 26 October 2015. And Mr. Peng Jianjun has resigned as an executive director and the chairman of the Board with effect from 24 June 2016.

(ii) Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan have been appointed as independent non-executive directors of the Company with effect from 26 October 2015.

(iii) Ms. Zhang Xiaohua has been appointed as an executive director and the chairlady of the Board of the Company with effect from 24 June 2016.

(iv) Professor Shi Zhuomin has been appointed as independent non-executive directors of the Company with effect from 23 September 2016.

(v) Mr. Chung Yuk Lun resigned as an executive director and the chairman of the Board with effect from 26 October 2015.

(vi) Mr. Chow Chi Wah Vincent resigned as an executive director with effect from 26 October 2015.

(vii) On 22 April 2015, the Company granted share options to the two directors, under which the directors were entitled to acquire 624,000,000 shares of the Company which amounted to HK$51,864,000. On 22 May 2015, the directors agreed with the Company to cancel all share options granted to them without getting any compensation in return.

(viii) Dr. Kwong Kai Sing, Benny was appointed as an executive director and managing director on 1 May 2015 and resigned as an executive director and managing director with effect from 26 October 2015.

(ix) Mr. Chung Kong Fei Stephen, Mr. Frank H. Miu, Mr. Robert James Iaia II and Mr. Hung Cho Sing have resigned as independent non-executive directors with effect from 26 October 2015.

(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 2016 (for the nine months ended 31 December 2015: nil).

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

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services (for the nine months ended 31 December 2015: nil).

37 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(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 2016, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the nine months ended 31 December 2015: 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/period or at any time during the year/period.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December	Nine months ended 31 December	**Year ended 31 March**		
	2016	2015	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**133,284**	101,877	101,224	109,346	166,456
Profit/(loss) before tax	**5,065**	(228,045)	(139,788)	(541,206)	(1,191,958)
Income tax credit (charge)	**300**	95	10,687	(5,605)	15,654
Profit/(loss) for the year/period	**5,365**	(227,950)	(129,101)	(546,811)	(1,176,304)
Attributable to:					
Owners of the Company	**5,039**	(227,817)	(128,431)	(545,696)	(1,176,604)
Non-controlling interests	**326**	(133)	(670)	(1,115)	300
	5,365	(227,950)	(129,101)	(546,811)	(1,176,304)

	As at 31 December	**As at 31 December**	**As at 31 March**		
	2016	2015	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**1,100,876**	866,306	125,474	146,643	402,709
Total liabilities	**(167,589)**	(134,323)	(153,158)	(246,570)	(1,488,814)
Net assets (liabilities)	**933,287**	731,983	(27,684)	(99,927)	(1,086,105)
Equity attributable to owners of the Company	**928,610**	727,356	(32,712)	(105,625)	(1,091,399)
Non-controlling interests	**4,677**	4,627	5,028	5,698	5,294
	933,287	731,983	(27,684)	(99,927)	(1,086,105)

Note: The above five years financial summary has not been re-presented to reclassify the performance of solar grade polycrystalline silicon operation as discontinued operations.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
PEOPLE'S REPUBLIC OF CHINA			
Portion of an industrial complex situated at Lot No. 14-03-129 and 14-03-383 Tang Beiyuan Village Dushi Administrative Zone Pingtan Zhen Huiyang County Huizhou City Guangdong Province	Medium-term lease	90%	Commercial