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)

2017
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Set out below is the corporate information of HengTen Networks Group Limited as at the date of this report (i.e. 22 March 2018):

DIRECTORS

Executive Directors

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS

Bermuda

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

Hong Kong

Tricor Secretaries Limited
Level 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

22 March 2018

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 2017.

BUSINESS REVIEW

Internet Community Services

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

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

(I) Market Overview

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

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

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

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

(II) Business Development

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

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

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

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

I. Internet Community Services

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

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

1. Property Services

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

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

2. Community E-commerce

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

II. Internet Home Furnishing

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

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

1. Online and offline business models became more mature

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

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

2. Products and service were fully optimised

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

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

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

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

3. Pilot exploration of external expansion

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

III. **Internet Materials Logistics**

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

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

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

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

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

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

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

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

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

3. Provision of highly competitive construction material products

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

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

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

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

Manufacture and sales of accessories

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

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

Investments

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

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

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

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

Loan financing

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

Property investment

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

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

CHAIRMAN'S STATEMENT

PROSPECTS

Internet Community Services

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

1. *Internet Community Services*

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

2. *Internet Home Furnishing*

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

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

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

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

3. *Internet Materials Logistics*

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

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

Manufacturing and sales of accessories

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

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 2017.

By order of the Board
HengTen Networks Group Limited

Xu Wen
Chairman

Hong Kong, 22 March 2018

FINANCIAL RESULTS

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

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

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

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

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

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

Liquidity

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

Capital Resources

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

The bonus warrants issued to the then shareholders of the Company on the basis of one warrant (the "**Existing Warrants**") for every five shares held on the record date, entitling the warrant holders to subscribe in cash for one new share at an initial subscription price of HK$0.1 per new share, at any time from 24 February 2015 to 23 February 2017 (both days inclusive) was announced on 24 December 2014 and completed on 24 February 2015. The subscription price was adjusted to HK$0.2 per new share upon the share consolidation of the Company becoming effective on 27 October 2015 (the "**Share Consolidation**"). During the year ended 31 December 2017, 12,135,640 new shares had been issued and allotted upon exercise of HK$2,427,128 Existing Warrants (adjusted with Share Consolidation) with net proceeds of approximately HK$2.4 million (approximately RMB2.1 million), which have been used as general working capital. The subscription rights attaching to the Existing Warrants expired at 4:00 p.m. on 23 February 2017.

Borrowings and Gearing Ratio

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

CHARGE OF ASSETS

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

CURRENCY RISK MANAGEMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENT

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

CONTINGENT LIABILITIES

The Company and the Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2017 (as at 31 December 2016: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed approximately 386 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the year ended 31 December 2017, including directors' emoluments, amounted to approximately RMB61.6 million.

FINAL DIVIDEND

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

MATERIAL ACQUISITION AND DISPOSAL

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

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 2017 are provided in the section headed "Chairman's Statement", the section headed "Management Discussion and Analysis" of this annual report and note 3 to the consolidated financial statements.

The Group manages environmental and social issues that affect the Group and on which the Group can have an impact. All activities of the Group must comply with the laws and regulations in the jurisdictions in which it operates in relation to emissions, use of resources and environmental protection. The Group reviews and implements environmental management rules and measures on a regular basis to reduce the consumption of energy and other resources, to reduce wastes and to protect natural resources. The Group implements separate collection and disposal of the non-hazardous wastes and few used batteries generated during its operation process and is committed to reducing the adverse impacts of its business operation on the environment. The Group also actively promotes the concept of energy-saving and emission-reduction, gradually improves the understanding of and attention paid by its staff, property owners, customers and other stakeholders to environmental protection, and encourages them to participate in environmental protection activities and to jointly fulfill their commitments to the environment.

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 2017 are set out in the consolidated statement of comprehensive income on pages 71 and 72 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year ended 31 December 2017 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 2017 and there was no outstanding share option of the Company as at 31 December 2017.

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 2017 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 2017 ***RMB'000***	31 December 2016 *RMB'000*
Contributed surplus	**63,481**	63,481
Accumulated losses	**(3,813,904)**	(3,798,895)
	(3,750,423)	(3,735,414)

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 2017 and up to the date of this report were as follows:

Executive Directors:

Mr. Xu Wen	(Chairman) (appointed on 25 April 2017)
Ms. Zhang Xiaohua	(ex-Chairlady) (resigned on 25 April 2017)
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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the year ended 31 December 2017.

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

As at 31 December 2017, 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 2017 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 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, 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	60.47%
Solution Key Holdings Limited *(Note 1)*	40,417,570,910	4,706,459,934	45,124,030,844	Beneficial owner	60.47%
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%

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.

Save as disclosed above, as at 31 December 2017, 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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 7.3% and 30.8% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 61.3% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 35.9% of the Group's total purchases.

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

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the year ended 31 December 2017.

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 established a brand new business structure comprising three core elements, being internet community services, internet home furnishing and internet materials logistics. The Company's internet community services include (1) providing collection of property management fees, property repair and maintenance, community e-commerce 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, providing platform services allowing third party vendors to set up online virtual shop, all through its PC websites or mobile Apps and carrying out internet home furnishing business and internet materials logistics business, 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 product of the Group's internet services are currently in the forms of HengTen Mimi APP, the online internet home and e-commerce platform-HTmehome and the online e-commerce platform-HT materials e-mall. As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the Group's three major business sectors, being internet community services, internet home furnishing and internet materials logistics, picked up a strong momentum in 2017. The Restricted Business of the Group needs to be operated by the OPCO in order to obtain registered user and traffic growth, so as to acquire core user base and platform for commencing the Group's business. Looking forward to the near future, the Group expects the Group's three major business sectors, being internet community services, internet home furnishing and internet materials logistics, to grow and accordingly, it is expected that the abovementioned three major business sectors of the Group will become the principal businesses of the Group in the future. As the Restricted Business is a material component of the abovementioned three major business sectors of the Group, 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 of 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 shops, 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 2017 contributed by OPCO under the Structured Contracts amounted to approximately RMB110 million (RMB106,198,370), representing approximately 41% of the Group's total revenue for the year ended 31 December 2017, and the total assets of OPCO as at 31 December 2017 were approximately RMB240 million (RMB244,925,692), representing approximately 20% of the total assets of the Group as at 31 December 2017.

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 internet business may be adversely affected.

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

As advised by our PRC legal counsel, the Structured Contracts do not contravene the PRC laws, rules and regulations applicable to the business of the WFOE and OPCO, 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

Saved as disclosed in note 34 to the consolidated financial statements which is fully exempted from Chapter 14A of the Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

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

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

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

* *For identification purpose only*

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

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2017 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 2017.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong with effect from 8 December 2017.

CHARITABLE DONATIONS

The Group has not made any charitable donations during the year ended 31 December 2017 (year ended 31 December 2016: nil).

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report and saved as disclosed under the section of abovementioned "Continuing Connected Transaction", 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 155 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 2017 and remained in force as of the date of this report.

AUDITORS

The consolidated financial statements for each of the years ended 31 December 2017 and 31 December 2016, and for the nine months ended 31 December 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 22 March 2018
For and on behalf of the Board

Xu Wen
Chairman

Hong Kong, 22 March 2018

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management as at 22 March 2018, being the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Xu Wen, aged 54, has over 20 years of experience in construction project management, construction research and design. Prior to joining the Company, Mr. Xu was an executive director of China Evergrande Group, a controlling shareholder of the Company (Stock Code: 3333, with shares listed on the main board of The Stock Exchange of Hong Kong Limited) and had left such position on 25 April 2017. Mr. Xu is currently executive Director, chairman of the Board, chairman of the nomination committee, member of the remuneration committee and the authorised representative of the Company.

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

Mr. Liu Yongzhuo, aged 38, has over 16 years of experience in human resource management, investment and operation of real estate projects, innovations in finance areas and management and operation of multi-industry companies. Mr. Liu works at China Evergrande and had served as a vice president of China Evergrande, in charge of Guangzhou Evergrande Taobao Football Club, Evergrande culture industry group, Evergrande agricultural animal husbandry group and Evergrande internet financial group. He is now serving as a vice president of China Evergrande 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, aged 47, 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 China Evergrande 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 42, has over 15 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 and commerce department of the mobile internet group of Tencent. Since 2015, Mr. Zhuo has been serving as the general manager and the first person in charge of the industry 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 54, has over 20 years of experience in corporate finance covering 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 member of the Hong Kong Securities Institute, the member of the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also the 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 the member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference, a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital since 1 April 2017.

Mr. Chau is currently is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), Evergrande Health Industry Group Limited (Stock Code: 708), IDG Energy Investment Group Limited (Stock Code: 650), Asia Grocery Distribution Limited (Stock Code: 8413) and Branding China Group Limited (Stock Code: 863). All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an executive director of China Solar Energy Holdings Limited (Stock Code: 155) from May 2015 to June 2015, an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) from June 2013 to September 2015, and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange.

Mr. Nie Zhixin, aged 55, 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 48, 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). He is currently an independent director of Guangzhou Jiacheng International Co., Ltd. (listed on the main board of Shanghai Stock Exchange, stock code: 603535).

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 46, has obtained a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan and is a visiting scholar under the China-US Fulbright Program. Professor Shi studied at and visited The Chinese University of Hong Kong, Harvard Business School and the University of Missouri and visited various countries and regions including the United States, Japan, Germany, Brazil and Hong Kong for academic exchange. She also held lectures on "Marketing Practice in China" and "Chinese Luxury Consumption" for students from Europe, the United States and Japan studying in China and held lectures on "Understanding Chinese Consumers" at certain universities in the United States. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-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 council member of China Marketing Association of University, a provincial investigation and consulting expert of Guangdong Province and an external academic advisor of the MScMIB program of Lingnan University in Hong Kong.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, Maria Olimpia, aged 74, 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 2017 except for the following deviation from the Code provision:

- Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2017, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

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 2017 and up to the date of this annual report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:

Mr. Xu Wen *(Chairman)* (Appointed on 25 April 2017)
Ms. Zhang Xiaohua *(ex-Chairlady)* (Resigned on 25 April 2017)
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

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 2017, 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 2017 and up to the date of this report, the Board has performed the corporate governance duties.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications. Four Board meetings were convened by the Company during the year ended 31 December 2017.

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 2017 is set out below:

	No. of meetings attended/held				
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Xu Wen (Chairman) (appointed on 25 April 2017)	3/4	–	–	–	1/1
Ms. Zhang Xiaohua (ex-Chairlady) (resigned on 25 April 2017)	2/4	–	–	–	–
Mr. Liu Yongzhuo	2/4	–	–	–	0/1
Mr. Huang Xiangui	3/4	–	–	–	1/1
Mr. Zhuo Yueqiang	3/4	–	–	–	0/1
Independent non-executive Directors					
Mr. Chau Shing Yim, David	4/4	2/2	1/1	–	1/1
Mr. Nie Zhixin	4/4	2/2	1/1	1/1	1/1
Mr. Chen Haiquan	4/4	2/2	–	1/1	1/1
Professor Shi Zhuomin	4/4	–	–	–	1/1

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 2017, 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 the effectiveness of the Company's internal audit function, reviewing and supervising the Group's financial reporting process, risk management and internal control system and providing advice and recommendations to the Board.

During the year ended 31 December 2017, two meetings have been held by the audit committee to approve the audited financial statements for the year ended 31 December 2016 and to review interim financial statements (including accounting policies and practices adopted) of the Group for the six months ended 30 June 2017, 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 19 March 2018, 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 2017 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 2018 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 2017, the members of the remuneration committee included Mr. Chau Shing Yim, David, the chairman of the remuneration committee, Mr. Nie Zhixin and Mr. Xu Wen. The remuneration committee adopted the written terms of reference which were basically the same as those set forth in code provision B.1.2 of the Code. The remuneration committee is principally responsible for assessing performance of executive Directors, approving executive Directors' service contracts, reviewing and determining, with delegated responsibility the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. No Director is involved in deciding his/her own remuneration.

During the year ended 31 December 2017, one meeting has been held by the remuneration committee. The remuneration committee had discussed and reviewed the remuneration packages for all Directors and senior management. The record of attendance of members at such meetings is set out on page 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 2017, the members of the nomination committee included Mr. Xu Wen, the chairman of the nomination committee, Mr. Nie Zhixin and Mr. Chen Haiquan. The nomination committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, and selecting and making recommendations to the Board on the appointment of Directors and senior management.

During the year ended 31 December 2017, one meeting has been held by the nomination committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 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 2017.

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 63 to page 68.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

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

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

Risk Management

1. Establishment of a risk management system and structure

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 leading groups and management of various business segments of the HengTen Networks Group as the implementation unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

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

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

Roles	Primary Duties
Senior management of the Group (Leadership)	• Responsible for the development of risk management system, regularly review the Company's risk management policies and system • Design, implement and supervise the risk management work of the Group, report on risk management to the audit committee on a regular basis, and report and disclose significant risk information to the audit committee • Provide the audit committee with the confirmation of the effectiveness of the risk management system
Management at the headquarters of the Group and management of various departments (Executer)	• 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	• 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.

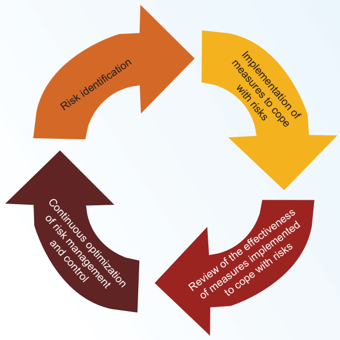
(Figure 1: Risk management workflow)

2. Risk assessment of HengTen Networks Group for FY 2017

In addition to the aforesaid risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system in 2017, details of which include the following:

- **Follow up on the implementation of risk management improvement measures from last year's risk assessment**

During the year, the management of the Group followed up on the implementation of the risk management improvement measures identified in prior year's risk assessment, as well as establishing a continuous risk management cycle which contains the process of "Risk assessment – Implementation of the risk management procedures – Follow-up of the implementation of risk management measures – Risk management system ongoing monitoring" in order to ensure that the any risk management gaps are rectified and the ability to prevent and cope with risks is strengthened (for details, please refer to Figure 2: Risk assessment and management model).



(Figure 2: Risk assessment and management model)

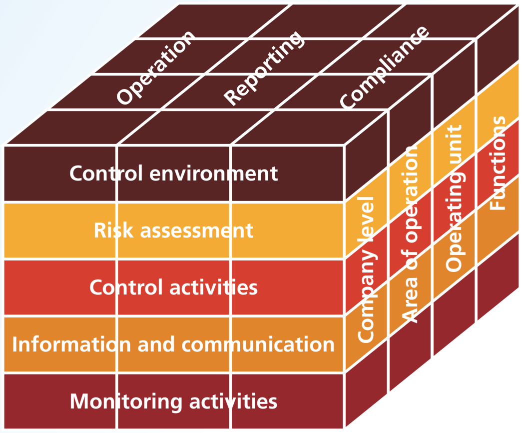
- **Conduct a comprehensive review of risk management system at the group level**

The management of the Group updated the risk assessment standards based on the current status of the operations. The management also reviewed and revised the risk register in view of its business changes. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks that its business segments face, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered the risk management systems is effective and sufficient.

Internal Control

1. Establishment of an internal control management framework

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 3: 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.



(Figure 3: 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.

2. Internal Audit

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

Review of Risk Management and Internal Control System

During the year, the Board, through the audit committee, conducted a comprehensive review of the risk management and internal control systems of the Group for the financial year of 2017, which mainly involved the continuous advancement of risk assessment and the major assessment of the results of the internal control review for the prior year as well as the risk assessment and internal control review for key business process for the year and covered the Group and its major business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the natures and severity of major risks as well as the Group's ability to cope with the changes in its business and external environment, were reviewed, and these systems were considered effective and sufficient.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the emolument to the external auditor of the Company for the annual audit and review of interim financial statements amounted to approximately RMB2,380,000 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 RMB1,011,000.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, the Company did 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 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

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

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

Shareholder who wishes to propose a person other than a Director of the Company for election as a Director must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Hong Kong Branch Share Registrar**"), at Level 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: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

I. ABOUT THIS REPORT

The scope of disclosure in this report comprises the internet community services, internet home furnishing, internet materials logistics business and manufacturing and sales of accessories of the Group for the year ending 2017. The internet materials logistics business is a service sector of the Group newly introduced in 2017.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") issued by the Hong Kong Stock Exchange. The disclosure of key environmental performance indicators has been newly incorporated into this report, which includes quantitative information to improve the transparency of this report and reflects effectiveness of environmental management of the Group. The contents and data presented in this report have been derived from internal information collection, third-party interviews and third-party questionnaires.

This report covers the period from 1 January 2017 to 31 December 2017, and prior years for certain disclosure.

If there is any inconsistency between the Chinese and English versions of this report, the Chinese version shall prevail.

II. ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY

The Group is aware that an enterprise should not only be a creator of wealth but also should assume the environmental and social responsibilities of green operation, serving the public.

We position ourselves as an integrated internet service operator and hope to utilise our technical advantages as an internet enterprise and consolidate high-quality resources in the industry in order to create smart and convenient community life for property owners, to build an open and sharing model for mutual benefits and win-win for enterprise customers and to provide consumers with cost-effective products and services.

We incorporate the philosophy of greening and environmental protection into our operation and management and vigorously practice the philosophy of "energy saving and emission reduction" in order to reduce the emissions of greenhouse gas and realise sustainable utilisation of resources.

The Board of the Group oversights the environmental, social and governance related matters, and is responsible for amending and implementing the ESG strategy of the Group, ensuring the effective operation of the ESG risk management and internal control system, and reviewing and approving the annual ESG Report.

III. STAKEHOLDER ENGAGEMENT

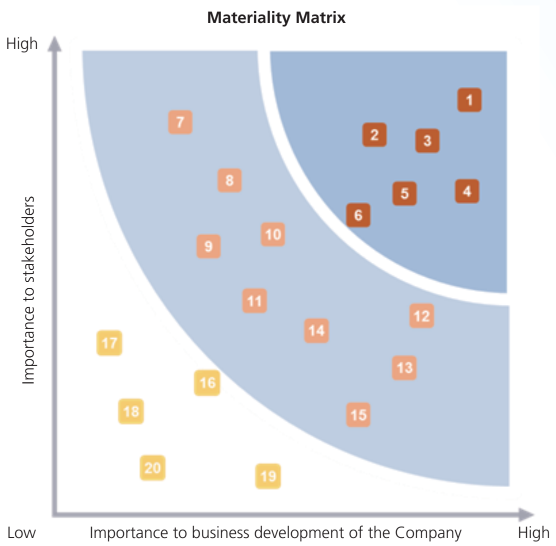
The Group believes that the sustainable development of an enterprise relies on close communication with stakeholders, managing the expectations and demands of all parties, and establishing a cooperative partnership with mutual trust. Through a multi-channel communication mechanism, the Group collects stakeholders' opinions on enterprise operation and ESG performance on a regular basis, to keep identifying opportunities to optimise and improve in ESG management, creating value to stakeholders.

Stakeholders	Expectations and demands	Communication and response
Employees	Respect of Labour and Human Rights Clear career development paths Compensation and benefits Provide a healthy and safe working environment	Improve employee management system Optimise career promotion mechanism Competitive salary in the market A sound safety management system
Customers	High-quality products and services Protect customer privacy Adhere to business integrity Continue to operate in accordance with the law	Strengthen supplier management Improve information safety system Public display of instructions on return and exchange of goods Improve the mechanism for communication with customers
Government and regulatory authorities	Compliant with national policies Compliant with laws and regulatory rules Compliant with taxes all applicable rules and regulations Promote employment	Adjust innovation and development strategies Actively cooperate with supervision and inspections Strengthen anti-corruption and integrity development Actively participate in regional development
Investors and shareholders	Financial results Sustainable profitability Protect rights Corporate transparency	Improve profitability Strengthen market capitalisation management Convene general meetings Day-to-day information disclosure
Suppliers and partners	Cooperation and win-win Openness and fairness Realise common growth	Improve the supplier management mechanism Build a platform for communication with suppliers Establish a strategic alliance
Industry associations	Fair competition Promote industry progress Improve industry management	Strengthen research and development capability Participate in industry discussion and communication Share experience in operation and management
Community	Protect community environment Take part in charity activities Build a harmonious community environment Promote community development	Fully practice green operation Conduct charitable programs Organise community activities Smart community management

IV. ESG MATERIALITY ASSESSMENT

In 2017, the Group engaged an independent third-party institution to conduct stakeholder survey which covered the management, employees, suppliers, partners, customers and other stakeholders of the Group. Through online questionnaires and interviews, the stakeholders were invited to rate the importance of sustainability issues that the Group's business faces.

ESG materiality matrix for 2017:



Material Topics		
Importance	**No.**	**Materiality assessment results**
Very Important	1	Protection of intellectual property rights
	2	Cyber and information security
	3	Customer satisfaction
	4	Product quality management
	5	Responsible marketing and promotion
	6	Staff recruitment and team building
Important	7	Anti-corruption management mechanism
	8	Compliant with policy and regulation
	9	Occupational health and safety
	10	Staff training and education
	11	Performance appraisal and remuneration and benefits
	12	Green procurement
	13	Participation in green community development
	14	Prevention of child and forced labour
	15	Community engagement
Less important	16	Disposal and recycling of waste
	17	Greenhouse gas emissions
	18	Water management and sewage treatment
	19	Energy consumption
	20	Use of materials

Figure 1: ESG materiality assessment matrix for 2017

By comparing the assessment results for 2016 and 2017, the most important ESG topics are generally consistent and mainly focus on the areas relating to products and customers services. The report is based on the assessment results and enables the Group to realign our sustainability strategy, helping the Group to gain clarity of our existing sustainable performance and set future measurable goals to further enhance the Group's businesses.

V. TOGETHER BUILD A GREEN FUTURE

The Group strictly complies with the relevant laws and regulations including the Environmental Protection Law of the People's Republic of China, adheres to the philosophy of "green development", and practices its environmental commitments in the links of day-to-day operation. By promoting online office, monitoring emissions and strengthening its employees' awareness of environmental protection, the Group protects the ecology and pursues the objective of sustainable development with greening and low carbon emissions. During the reporting period, the Group had not been in breach of any laws and regulations relating to emissions.

1. Green Office

The internet community services segment of the Group had relatively less impact on the environment because of its business nature. By adhering to the environmentally-friendly development philosophy, the Group emphasizes refined management, identifies methods and measures of operation with low carbon emissions, and fully implements a green and environmentally-friendly business model.

In 2017, the Group actively promoted a paperless office management system by transferring the approval procedure from offline to online to reduce the printing of documents; replaced printed materials with WeChat official accounts for the marketing of products and business to reduce unnecessary resource consumption; and maximized the utilisation of video conferences and online communication to replace travels and reduce the emissions of greenhouse gas and exhaust gas during the travelling course. We plan to make full use of the advantages of the internet and realise a win-win situation with improvement in office efficiency and environmental protection.

In day-to-day business, we adhere to the principle of saving energy and reducing consumption by eliminating waste and improving the performance of environmental protection. We have in place strict rules on the lighting time and use of air-conditioners at workplaces, set electronic equipment at automatic sleep mode to reduce electricity consumption, implement an office supplies application system, and maintain office equipment on a regular basis to improve the efficiency of use of office resources. We set printers at black-and-white double-sided printing mode and encourage employees to reuse paper and reduce paper consumption in the office.

The property management companies are responsible for collection and delivery of garbage in office areas to cleaning companies for disposal on a daily basis. Print toners are replenished and replaced by professional outsourcers to ensure the disposal of discarded toners in compliance with the laws and regulations. In 2017, no computer of the internet business segment of the Group was discarded or retired, and no electronic waste was generated.

Case Study

The rapid development of the internet had made new breakthroughs for the Group's improvement in overall energy-saving and environmental protection performance. Based on its existing customer resources and with its "HengTen Mimi" mobile App as the platform, the Group has gradually realised online management of property services including payment of property management fees and parking lot rentals, community broadcasting, property maintenance and smart express cabinets, which has greatly reduced the consumption of resources and energy in the offline workflow, improved service efficiency and promoted the satisfaction of property owners.

2. Green Production

The principal products of the manufacturing and sales of accessories of the Group are nylon and leather bags, and their manufacturing process has been in compliance with national and local environmental protection requirements. The Group strengthened the construction of the environment management system, designated environment management responsibilities, and has been committed to reducing the negative impacts of its business operation on the environment.

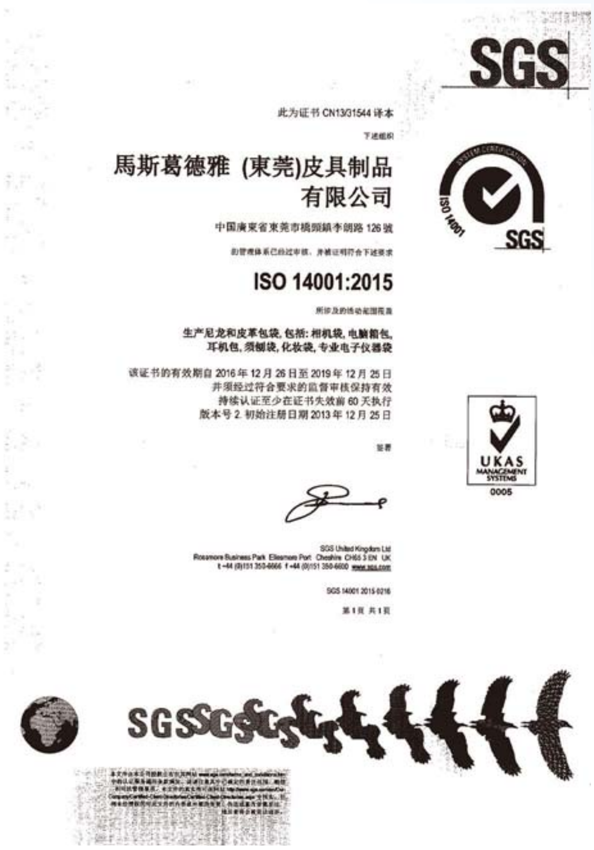


Figure 2: ISO14001:2015 environment management system certification

The accessory manufacturing process has passed the review and certification of the ISO14001 environment management system. By updating the Register of Environmental Elements on a regular basis, we timely reviewed the environmental elements relating to our business and improved the relevant management rules. We have developed a number of rules including the Procedures for Environment Monitoring, Measurement and Control, the Management Rules for Exhaust Gas and Noise, and the Sewage Management Rules to regulate the management procedures and monitoring mechanism for various environmental impacts.

We conducted routine monitoring and management of the compliance with laws and regulations for operation environment performance and the implementation of relevant management rules. The human resources department carries out monthly monitoring on water and electricity consumption, and engages environmental protection and monitoring institutions to monitor the emissions of sewage, production noises and exhaust gas in workshops and canteens on an annual basis. In case of any incompliance, the Group timely works with the relevant functional departments to carry out rectification and prevention measures and ensure the compliance with national standards.

3. Environmental Protection Education and Promotion

The Group actively promotes the concept of green environmental protection and is committed to working together with stakeholders to build a green future. We guided employees on environmental protection behaviours in daily work through internal rules and standards, and posted environmental tips at multiple places in the office to improve employees' awareness of environmental protection and strengthen their sense of responsibility for environmental protection. As an internet community integrated operator, we conducted marketing and promotion of environmental protection through the internet platform, delivered green messages to property owners and customers, gradually improved the public's recognition of and importance attached to environmental protection, and encouraged them to set an example by personally taking part in environmental protection projects and together to build a sustainable future.

Key Environmental Performance Data for 2017

Key Environmental Performance Indicator	**Unit**	**Consumption/ Emission**
Sulphur oxides	Kg	0.29
Nitrogen oxides	Kg	15.34
Particulate Matter	Kg	1.22
Greenhouse gas emissions (Scope I)	Tonne CO_2e	52.06
Greenhouse gas emissions (Scope II)	Tonne CO_2e	578.45
Total greenhouse gas emissions (Scopes I and II)	Tonne CO_2e	630.51
Discarded batteries	Kg	0.97
Waste materials (cloth)	Tonne	28.41
General waste	Tonne	39.74
Total electricity consumption	kWh	645,661.32
Petrol (Official cars)	Litre	13,485.09
Diesel (Official cars)	Litre	5,868.37
Direct energy consumption	GJ	631.33
Indirect energy consumption	GJ	2,324.38
Total energy consumption	GJ	2,955.71
Energy consumption intensity (internet business)	GJ/employee	1.84
Energy consumption intensity (manufacturing and sales of accessories business)	GJ/accessory	0.0014
Total water consumption	m^3	14,444.47
Water consumption intensity (internet business)	m^3/employee	4.15
Water consumption intensity (manufacturing and sales of accessories business)	m^3/accessory	0.007
Plastic bags (manufacturing and sales of accessories business)	Kg	4,943.1
Plastic bag consumption intensity	Kg/accessory	0.003
Cartons (manufacturing and sales of accessories business)	Kg	7,558
Carton consumption intensity	Kg/accessory	0.004

Notes:

1) The environmental data covers the period from 1 January 2017 to 31 December 2017 and the Group's office areas for internet business in Guangzhou and the manufacturing and office areas for the manufacturing and sales of accessories business in Guangdong Province.

2) The emissions were generated by the use of official cars. Greenhouse gas emissions (Scope I) were mainly from the consumption of petrol and diesel by company's vehicles, and greenhouse gas emissions (Scope II) were from the electricity purchased. The ESG Reporting Guidance on Environmental KPIs was used as a reference for the emission factor, and 2015 China Regional Grid Baseline Emission Factor issued by the National Development and Reform Commission was used as a reference for the emission factor for the electricity purchased.

3) The types of energy consumed by the Group in 2017 included the electricity purchased and petrol and diesel for public service vehicles. GB2589-2008T (General Principles for Calculation of Total Production Energy Consumption) was used as a reference for the energy consumption factor.

VI. EMPLOYEE CARE AND GROWTH

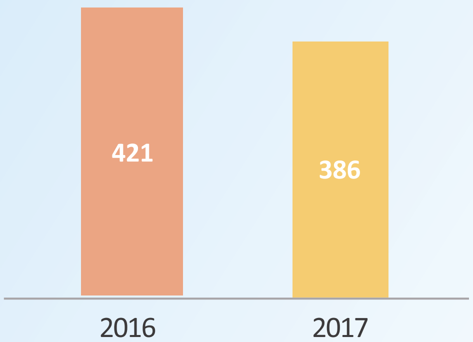
As an internet enterprise, we have a young workforce. The Group adheres to its corporate culture of "Tolerance, fairness and justice", provides employees with equal opportunities for development, continues to optimise the talent cultivation mechanism, assists employees in improving career development plans, and is committed to achieving common growth of employees and the Group. During the reporting period, the Group had not been in breach of any laws and regulations relating to employment, health and safety and labour standards.

1 Employment Practices

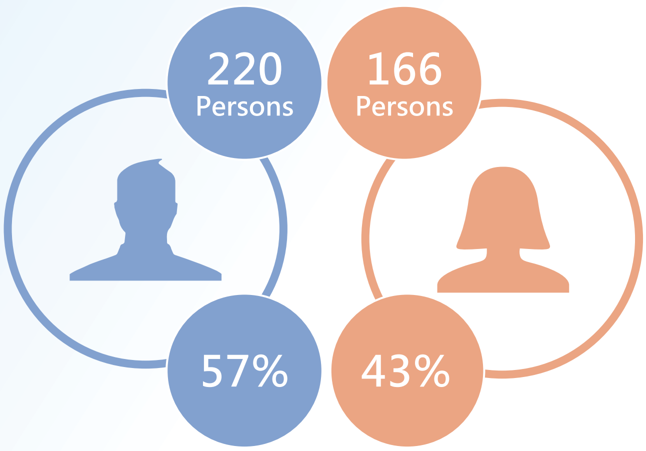
The Group strictly follows the relevant laws and regulations including the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, adheres to the talent strategy of "Talent is the only way", develops talent recruitment plans, and carefully implements various human resource management rules such as the Recruitment Management Rules in order to meet the needs for human resources for the rapid growth of the Group.

The Group has introduced talents through multiple channels such as campus recruitment and social recruitment. Campus recruitment mainly provides new blood for low-level positions. In 2017, the Group mainly recruited new graduates majoring in information system and software engineering, supply chain management, design and law to meet the needs of business development of the Group. In addition, we actively recruited people with extensive work experience through cooperation with major recruitment websites, engagement of head-hunters and internal recommendations in order to strengthen the talent teams of the Group.

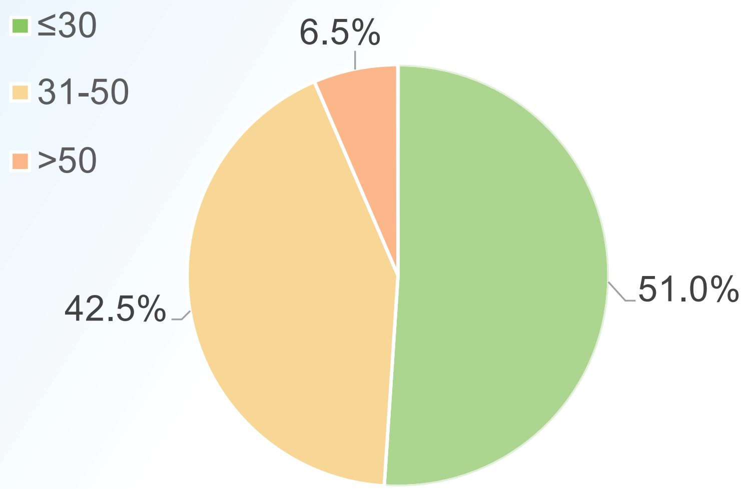
As at 31 December 2017, the Group had a total of 386 employees, details of which are as follows:



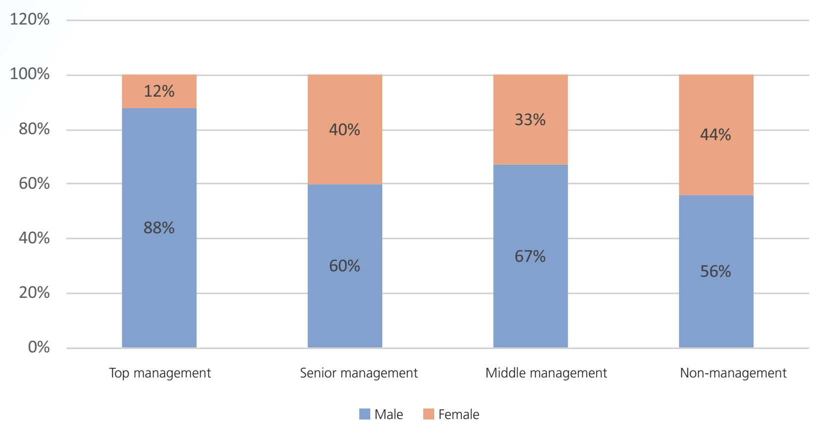
Total number of employees



Employees by gender



Employees by age



Employees by position and gender

With performance orientation as the core, the Group conducts comprehensive assessment of employees, taking into account their work attitude and potential, and uses the assessment results as an important basis for bonus and promotion assessment. The Group emphasizes process management of performance, pays attention to daily guidance of supervisors for employees, and helps employees to improve their personal abilities to realise the coordinated development of personal development and enterprise performance.

In 2017, the Group further improved its remuneration management mechanism and revised the employee performance bonus and incentive program in order to attract and retain outstanding talents and motivate employees to continuously improve their work performance. In order to encourage employees to have innovative thinking, we provided them with material awards based on the actual benefits of the innovation achievements and issue "outstanding contribution awards" to employees to recognise their achievements in innovations, creation and overcoming business problems.

The Group has been in compliance with national policies and makes full contributions in respect of pension, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance and housing provident fund for all employees and provides them with paid leaves. To care for employees, the Group provides them with considerate benefits, such as free annual body check, regular distribution of fruit, organising group tours and holiday gifts, in order to improve employees' happiness and sense of belonging.

The Group sets out clear policies for human resource management in its staff manual and advocates them to employees on a regular basis. We attach great importance to listening to employees, strive to build a harmonious working environment and ensure that every employee has equal opportunities for growth and will not be treated differently due to factors such as gender, age, ethnicity, beliefs, nationality, and marital status. The Group explicitly opposes any form of discrimination.

2 Training and Development

In 2017, the Group focused on the improvement in the employee training mechanism. In view of the characteristics of its business and positions, the Group provided systematic knowledge to employees and developed their abilities through class training, video training and lectures, in order to assist employees in achieving personal growth. The key training programs during the year included:

- induction training for employees recruited at campus: comprehensive introduction to the culture, environment and business of the Company and position requirements; regular interviews and "one-on-one" mentorship mechanism to assist them in mastering work skills quickly and completing role transformation;

- training sessions on comprehensive quality and general management: such as office software training which helps employees master office skills and improve work efficiency; carry out the "Month of Culture" training activities to strengthen the promotion and inheritance of corporate culture;

- monthly professional skill training for business departments: introduce corporate strategy and project progress, promote the progress of various work, and conduct targeted training to improve business skills and professional capability;

- academic education training and professional and technical qualification training.

Figure 3: Induction training for fresh graduates in 2017

Details of the training provided by the Group in 2017 are as follows:

3. Occupational Safety and Health

1) Protect occupational safety

We attach great importance to production safety and health of employees and continue to improve safety system building and daily management to keep safety risks under control. For the manufacturing and sales of accessories business segment, we have established a sound production safety management structure, with the management of the Company constituting a production safety leading group, part-time safety staff from various functional departments and voluntary firefighters at workshops to carefully implement the safety management accountability system through concerted actions at all levels. Under the leadership of the production safety leading group, the Company organises regular safety training to introduce the requirements for safety protection and strengthen the attention paid by employees.

We provide frontline production staff with labour protection supplies according to their types of work. All labour protection supplies provided have passed strict inspections in terms of standards, specifications, models and quality and meet national and local laws and regulations. Special labour protection supplies, such as respiratory and dust masks and earplugs, are maintained at designated places by designated persons. Part-time safety staff is responsible for monitoring the use of labour protection supplies by employees and reminding them to reduce the occupational safety risk of employees.

In July 2017, we organised an all-employee fire drill at our plant, during which we practiced the firefighting and evacuation procedures in the event of sudden fires, gave detailed explanations about how to use and store fire extinguishers, water spray guns and other firefighting instruments in order to enhance employees' awareness of safety and fire protection and improve their ability to cope with emergency and coordination.

Figure 4: Fire drill
at production plant area

Figure 5: Demonstration of
fire extinguishing equipment operation

2) Employee health care

Given the characteristics of the internet business and in order to prevent potential health risks for long-term desk work, the Group has set up an "Employees' Club" and placed sports equipment and provide regular dancing and exercise courses to encourage employees to strengthen physical exercise in their spare time. In 2017, the Group organised "HengTen Health Run" and badminton activities on a regular basis to actively communicate the concept of healthy and happy work and life to employees. The Group organised annual body check to ensure that employees are aware of their own health status and attach greater importance to health.

The Group has an employee canteen at its headquarters to provide safe, healthy and hygienic dining services to employees. The Group collaborates with property management authorities to examine and monitor safety risks at office areas, regularly maintains firefighting equipment to provide employees with a safe and healthy working environment. It carries out regular fire drills and safety training to improve employees' self-precaution awareness and emergency response ability.

Figure 6: Billiard table equipment at the Employees' Club

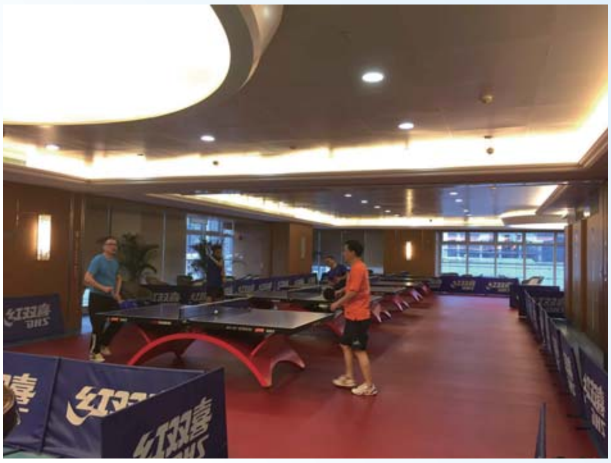


Figure 7: Table tennis tables at the Employees' Club

4. Protect Labour Rights

We strictly abide by the national and local laws and regulations relating to labour rights and interests and protect the lawful interest of all employees. There was no child labour recruited or forced labour in any form by the Group.

In 2017, the Group improved and implemented flexible work attendance mechanism in view of the characteristics of the internet industry to ensure that technical employees have enough time to rest and promote the balance between life and work of employees.

VII. STRICT CONTROL OVER SUPPLY CHAIN MANAGEMENT

The Group aims to provide its customers with "one-stop-shop" high-quality service experiences. Our existing suppliers mainly cover five categories including services, electric commerce, furniture, building materials and food. In order to ensure the quality of our products and services, we have established strict mechanism for the selection and assessment of suppliers, and implemented and improved a mechanism for grading and classification and removal of suppliers.

1 Supplier Admission

In accordance with the requirements of the Procurement Management Rules of the HengTen Networks Group, in selecting suppliers, the Group shall give priority to top ten players in the PRC in terms of brand and comprehensive strengths or renowned international brands or companies, and shall conduct preliminary investigation into their qualifications and negotiate with selected suppliers about cooperation intention.

For suppliers with cooperation intention initially selected, the bidding and procurement department of the Group reviews their business qualifications and visits them to determine the final list of qualified suppliers. Qualified suppliers will become important partners of the Group and deliver high-quality products or services to the Group.

2 Continuous Monitoring of Suppliers

The Group has developed and implemented assessment standards for different types of suppliers including the Comprehensive Assessment Standards for Service Suppliers of HengTen Mimi, the Comprehensive Assessment Standards for Electronic Commerce Suppliers of HengTen Mimi, the Quality Management Requirements for Furniture Suppliers of HengTen Networks, the High Quality Management Requirements for Food Suppliers of HengTen Networks, and the Comprehensive Assessment Standards for Materials Suppliers of HengTen Networks (for Trial Implementation).

The Group continuously monitors the performance of suppliers in terms of the price and quality of products and after-sales services. In order to satisfy customers, we included the number of complaints received and the satisfaction degree for complaint handling as important indicators for supplier assessment. The suppliers with higher scores will get more opportunities for cooperation, as a result to encourage suppliers to improve the quality of products and after-sales services.

3 Dynamic Supplier Management

The Group conducts regular return visits to customers, issues reports on return visits, and assigns scores and rankings to suppliers based on the results of return visits. The scoring results are published in our supplier WeChat group to ensure the fairness, openness and justice of the scoring process. The Group will determine the scope of suppliers for further cooperation based on the rankings of suppliers.

Case Study: Self-constructed warehousing and logistics park in Baiyun District

We are well aware that customers' trust stems from the consistency in our rigorous and hard work. In order to improve the Group's ability to manage and control the logistics of home furnishing and building materials, we have established a warehousing, logistics and distribution centre in Baiyun District, Guangzhou. The logistics centre currently has a gross floor area of 2,000 sq.m. and will be expanded in the future according to the needs of business development. A modern warehouse management system and transportation management system have been adopted in the management of the warehouse, which have enhanced the Company's ability to manage and control warehousing and logistics.

Figure 8: Logistics and distribution centre in Baiyun District, Guangzhou

We have also implemented a strict procurement workflow and supplier management system for the manufacturing and sales of accessories business of the Group. We focus on the review of professional qualifications, performance ability, reputation and quality commitments to ensure that the products supplied meet production standards in the PRC and the industry and the relevant environmental protection rules. In order to strengthen the management of and control over harmful substances in products, the suppliers of raw materials and parts purchased shall meet the requirements of ROHS, REACH and SVHC and provide test reports from authorised testing institutions on a regular basis. We conduct random inspection on the relevant materials, require rectification by the suppliers for subpar products, and conduct follow-up audits on them which shall not resume supply before passing the review.

VIII. SERVING CUSTOMERS WITH CONSISTENT HIGH QUALITY

The Group understands that customer satisfaction is essential to our existence. In order to respond to the government's call for building "smart communities", the Group actively explores the innovation model of "platform operation thinking and light assets operation" and strives to provide property owners with smart and convenient community life experiences, to create an sharing model for corporate customers with mutual benefits and win-win and to provide consumers with cost-effective products and services.

In 2017, the Group further expanded its product portfolio to enrich our offering. In addition, based on big data and consumption insights, the home furnishing operation division of the Group portrayed a typical home furnishing user from multiple dimensions including age, academic background, family and consumption budgets to match and adapt to the property types and users' habits and provide customised one-stop home solutions.

1 Product Quality Assurance

The Group has developed quality management rules and quality standards for different products, maintains strict control over product quality, actively listens to customers' feedbacks, and continues to optimise product design and production in order to provide satisfactory products and user experience to customers.

1) Home furnishing products

The Group strictly complies with the relevant national quality standards, has developed and implemented the Technical Standards for Engineering Furniture, maintains strict control over the appearance, materials and performance such as weight-bearing capability of furniture to ensure customers' satisfaction from the source.

We attach great importance to the environmentally-friendly and safety features of our products and have developed standards and requirements for harmful substances and safety performance for different types of products. The formaldehyde emission in wooden furniture is required to meet the standard of level E1 and above (formaldehyde content of less than 1.5mg/100g), and redwood furniture suppliers must sign additional supplier undertaking letters and provide inspection marks and quality inspection reports stating the materials of goods. Metal and glass furniture are required to pass safety inspections, and environmentally-friendly paints under top five brands in the PRC must be adopted. Children's furniture must meet GB 28007 "General technical requirements for children's furniture" and other prevailing standards and requirements in the PRC.

2) Building material products

The Group has developed strict acceptance standards for the quality and performance of building materials for high-quality decoration and carefully examines certificates of conformity of products and product quality inspection reports issued by the competent authorities in the PRC to ensure that the products are durable and fair and meet the relevant environmental protection requirements.

In accordance with the requirements of the Group, formaldehyde and other harmful substances in wood floor must meet national standards, and raw materials and finished goods must meet the environmental protection standard of level E1 (formaldehyde content less than 1.5mg/L). Tile products must meet the requirements for class A decoration materials in national standard "Limits of radionuclides in building materials" (GB6566-2010) and the relevant industry practice standards.

In 2017, we further improved the establishment of the "HengTen Materials E-Mall" and strived to build a one-stop-shop building materials procurement and supply platform with comprehensive functions, product mix and services which enable the one-stop integration of functions including online model selection, order placement, customer service consulting, order follow-up, coordinated settlement and after-sales services.

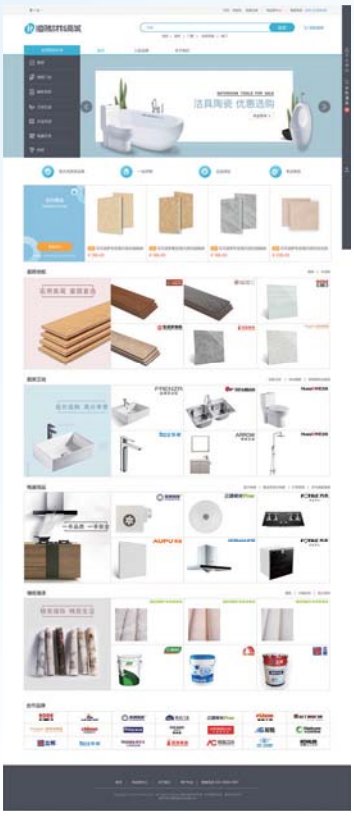


Figure 9: HengTen Materials E-Mall

3) "HengTen Mimi" online platform

In order to ensure the smooth operation of its online platform, the Group arranges staff to be on duty 24 hours a day. The team on duty comprises employees from the support department and the operation department, which promptly handle the technical issues of the platform and keep a record of the issues and handling. If any issue remains unsolved at the end of the current shift, the issue will be handed over to the next shift to ensure steady operation of the platform.

Case Study: "New properties with move-in condition"

"New properties with move-in condition" is a core project of the Group to provide "one-stop" services. By selecting outstanding designers and suppliers, we provide high-quality services including overall housing design, decoration and furniture arrangement so that customers can enjoy convenient experience with "New properties with move-in condition".

In 2017, we carried out a total of 11 rounds of activities for the business, serving 50,847 property owners from 246 projects in total and receiving wide recognition from customers.

Figure 10: Sample room for "New properties with move-in condition" project

4) Accessory quality management

We have developed and implemented standard procedure documentation including the Quality Control and Management Rules and implement strict monitoring of quality in the whole process from raw materials to the delivery of finished goods. For raw materials, semi-finished products, finished products and packaging, we conduct inspections and tests in accordance with the special quality standards to ensure that the final products meet the national quality regulations and customers' requirements.

2 Customer Service Quality Management

The Group is committed to providing a wide range of high-quality services. It makes full use of its online and mobile application platform to timely collect feedbacks from customers, listen to customers' opinions, identify room for optimisation and improvement, and better fulfill commitments to customers.

Customer service quality management is an integral part of ensuring customer satisfaction. In 2017, the Group revised standardized customer service management rules and the after-sales service handling manual as the work process guide, and improved training on customer services to ensure that after-sales service staff provide customers with professional skills and friendly attitude.

The Group has established a number of channels for communication with customers, including a national unified customer service hotline and the customer feedback functions of "HengTen Mimi" and "HengTen Mimi Home", which set our clear provisions for the process and time for handling of feedbacks. Customer services personnel are responsible for providing pre-sales and sales consultation and receiving after-sales complaints from customers, making active response, keeping accurate record of problems and following up on the progress of problem solving. The product technology department exports customers' opinions and feedbacks from the platform on a regular basis, analyses the urgency of problems, divides them into three levels with high, middle and low urgencies, and assigns the relevant responsible departments to follow up.

For pre-sale consultation regarding registration with the electric commerce platform, customer service personnel shall provide timely responses with standard answers in the problem handling manual. For urging delivery and order check, they shall coordinate and communicate with suppliers about the goods delivery and ensure timely delivery. For after-sales repair and return and exchange of goods, they shall coordinate and communicate with suppliers, provide timely feedbacks to customers about the expected completion date and complete the relevant operation and procedures at the platform together with the technology department and the finance department, so that customers will obtain satisfactory repair or return or exchange services within the time limit. For customer complaints, they shall immediately send the information to the relevant functional departments or suppliers and continue to follow up on their handling and make return visits to customers to ensure that all complaints will be effectively responded to and solved within the time limit.

3 Customer Privacy and Information Security

The Group strictly follows the laws and regulations including the Cyber Security Law of the People's Republic of China. It amended its own information security management rules, actively cooperated with the cyber information authorities and the relevant regulatory authorities in the PRC through regulating the collection, handling, use and transmission of personal information, fulfilling its obligations as an internet service provider to protect personal information and eliminating the abuse of personal information and resulting internet crimes such as frauds so as to protect the lawful interest of customers.

The Group adopts the principle of strict confidentiality about personal information of customers. Any external request for information shall be approved by two vice presidents of the Group to ensure that customer information will not be abused. The Group has entered into confidentiality agreements with suppliers and employees, and the labour contracts have a provision on the scope of customer information which shall not be disclosed by employees.

The Group has developed and improved the Data Backup and Data Security Management Rules, the Disaster Recovery Plan, the Backup, Recovery and Test Manual and other rules to guide its employees on measures to protect information such as division of employee privileges, physical separation, information backup and disaster response and lower the possibility of leakage, damage and loss of customer information. For the research and development and version updating of software in the ordinary course of business, the Group's Product Research and Development Management Rules provide that the research and development environment, the testing environment and the production environment must be separated in the research and development of software products and that product designers shall have administrator privileges in the research and development and testing environment only.

4 Responsible Marketing and Promotion

In accordance with the requirements of the laws and regulations including the Advertising Law of the People's Republic of China, the Group implements strict control over marketing activities and avoids exaggerated or false publicity at all stages in order to ensure accuracy and reliability of platform marketing language and product pictures and not to mislead customers. In conducting offline marketing activities, the Group requires that event planners must develop sound event proposals and emergency response plans to guarantee the safety of life and property of participating customers and enable them to have pleasant experience during the events.

5 Protection of Intellectual Property Rights

The Group strictly complies with the laws and regulations in the PRC relating to the protection of intellectual property rights, continues to improve and implement the Intellectual Property Rights Management Rules, and attaches great importance to the cultivation plan for intellectual property rights in order to effectively protect the intellectual achievements and intangible assets of the Group and enhance its core competitiveness.

As the department within the Group which is responsible for intellectual property rights, the legal affairs department is responsible for the application, modification and information management of intellectual property rights, and guiding and supervising the protection of intellectual property rights. It also organises regular business training on intellectual property rights to improve employees' awareness of intellectual property rights protection and enable them to contribute to exploring potential intellectual property rights. As at 31 December 2017, the Group had obtained a total of 17 software copyrights and made a pending patent application.

IX. ANTI-CORRUPTION AND ADVOCACY

The Group adopts a "zero tolerance" attitude towards corruption and has clear provisions in place handling, the Group strictly prohibits any acts detrimental to the interests of the Group such as accepting bribery and frauds. The Group has established a number of channels for reporting corruption. Internal and external persons may report any acts in violation of laws and regulations through telephone and mail. The human resources department together with the relevant functional departments are responsible for investigation and those responsible will be disciplined where proven violation has occured. Any incompliance with laws will be reported to law enforcement authorities for handling. Clear reporting channels and investigation process are in place, and the identity of whistle-blowers and the contents of reports are kept strictly confidential.

The Group places importance to ethical education for employees, including organising special ethical training and forums, arranging employees to watch admonitory education films, guides and supervises employees' behaviour in order to improve employees' awareness and consciousness and prevent corruption. In 2017, the Group was not involved in any litigation relating to corruption and bribery.

X. POVERTY ALLEVIATION AND GIVING BACK TO THE COMMUNITY

The Group actively responded to the "Dafang County" poverty alleviation project of China Evergrande Group and encouraged employees to sign up for the "One-on-One" pairing for poverty alleviation. We helped mostly poor children and provided financial or material assistance to them according to their actual needs upon pairing. Through "Happy family visit" or "Happy telephone connection", we understood the status of their lives and provided timely help to them so that they can grow up with happiness and good health.

Figure 11: "One-on-one" charity event

Employees of the Group volunteered in various poverty alleviation work and conducted on-site visits and household surveys to establish poverty-alleviation files. They participated in the development of local industries supporting poverty alleviation, made use of their skills and expertise to support the information network development in Dafang County and facilitate local modernization process.

The Group made use of its advantages of own resources to organize community charity events and promote public welfare concepts. It called for property owners to actively participate in charitable activities and provided the less privileged with more care and assistance. During the period from 19 to 23 November 2017, we organised the "HengTen Mimi Thanksgiving Month & Charity Donation" at Jinbi Garden, Guangzhou, which received warm responses from property owners. A total of 36 bags of clothing were donated to support people in poor areas.

Figure 12: HengTen Mimi Thanksgiving Month & Charity Donation

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 69 to 154, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 2017, 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.

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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 2.7 – accounting policy of intangible assets and Note 4 – Critical accounting estimates and judgments to the consolidated financial statements. During the year ended 31 December 2017, the Group capitalised an internally generated intangible asset of approximately RMB4,876,000 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 2017, the carrying amount of the capitalised internal development costs was approximately RMB6,905,000.	We 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 the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Reversal of provision Refer to Note 2.23 – 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 2017, 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 RMB12,021,000 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 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, 22 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2017 RMB'000**	31 December 2016 (Restated) RMB'000	1 January 2016 (Restated) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	**27,324**	36,093	3,197
Intangible assets	7	**8,443**	6,122	–
Land use rights	8	**85**	346	618
Investment properties	9	**15,600**	15,400	16,800
Deferred tax assets	21	**771**	2,316	–
Available-for-sale financial assets	10	**645**	710	643
Prepayments	13	**183**	5,159	–
		53,051	66,146	21,258
Current assets				
Inventories	11	**4,616**	2,210	2,503
Trade receivables	12	**177,612**	21,242	16,026
Other receivables and prepayments	13	**16,278**	11,428	4,035
Financial assets at fair value through profit or loss	14	**53,042**	45,750	42,034
Cash and cash equivalents	16	**901,165**	836,150	642,131
		1,152,713	916,780	706,729
Total assets		**1,205,764**	982,926	727,987
EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital	17	**150,172**	150,151	148,424
Share premium	17	**4,454,940**	4,452,855	4,282,234
Other reserves	18	**9,234**	46,489	3,955
Accumulated losses		**(3,734,094)**	(3,820,370)	(3,823,391)
		880,252	829,125	611,222
Non-controlling interests	35(a)	**803**	4,167	3,889
Total equity		**881,055**	833,292	615,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2017 RMB'000	31 December 2016 (Restated) RMB'000	1 January 2016 (Restated) RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	19	**50,000**	53,571	50,420
Obligations under finance leases	20	**461**	459	252
Deferred tax liabilities	21	**3,551**	3,371	3,585
		54,012	57,401	54,257
Current liabilities				
Trade payables	22	**65,661**	11,694	5,146
Other payables	23	**170,588**	74,765	45,639
Current income tax liabilities		**34,076**	5,606	7,658
Obligations under finance leases	20	**372**	168	176
		270,697	92,233	58,619
Total liabilities		**324,709**	149,634	112,876
Total equity and liabilities		**1,205,764**	982,926	727,987

The notes on pages 76 to 154 are an integral part of these consolidated financial statements.

The financial statements on pages 69 to 154 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf.

Xu Wen
Director

Huang Xiangui
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 (Restated) RMB'000
Revenue	5	**261,750**	113,250
Cost of sales	24	**(79,336)**	(64,800)
Gross profit		**182,414**	48,450
Selling and marketing costs	24	**(14,325)**	(7,584)
Administrative expenses	24	**(51,334)**	(35,100)
Net change in fair value of financial assets at fair value through profit or loss	5,14	**10,791**	1,043
Other income	26	**2,019**	2,766
Other expense	27	**–**	(2,510)
Other gains/(losses)-net	28	**1,140**	(1,096)
Operating profit		**130,705**	5,969
Finance costs	29	**(8,052)**	(2,591)
Finance income	29	**1,231**	950
Finance costs-net	29	**(6,821)**	(1,641)
Profit before income tax		**123,884**	4,328
Income tax (expenses)/credit	30	**(31,032)**	257
Profit for the year		**92,852**	4,585
Other comprehensive income	18(a)		
Items that may be reclassified to profit or loss			
Net (loss)/gain on fair value changes of available-for-sale financial assets		**(65)**	67
Currency translation difference		**(47,134)**	40,841
Other comprehensive income for the year, net of tax		**(47,199)**	40,908
Total comprehensive income for the year		**45,653**	45,493

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

The notes on pages 76 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital *RMB'000* *(Note 17)*	Share premium *RMB'000* *(Note 17)*	Other reserves *RMB'000* *(Note 18)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *(Note 35)*	Total equity *RMB'000*
Balance at 1 January 2016 (Restated)	148,424	4,282,234	3,955	(3,823,391)	611,222	3,889	615,111
Comprehensive income							
Profit for the year	–	–	–	4,307	4,307	278	4,585
Other comprehensive income							
Fair value changes of available-for-sale financial assets *(Note 18(a))*	–	–	67	–	67	–	67
Currency translation difference *(Note 18(a))*	–	–	40,841	–	40,841	–	40,841
Total other comprehensive income	–	–	40,908	–	40,908	–	40,908
Total comprehensive income	–	–	40,908	4,307	45,215	278	45,493
Transactions with owners							
Issue of new shares upon exercise of Bonus Warrants *(Note 18(b))*	1,727	170,621	340	–	172,688	–	172,688
Transfer to statutory reserve *(Note 18(c))*	–	–	1,286	(1,286)	–	–	–
Total transactions with owners	1,727	170,621	1,626	(1,286)	172,688	–	172,688
Balance at 31 December 2016 (Restated)	150,151	4,452,855	46,489	(3,820,370)	829,125	4,167	833,292

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						
	Share capital *RMB'000* *(Note 17)*	Share premium *RMB'000* *(Note 17)*	Other reserves *RMB'000* *(Note 18)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *(Note 35)*	Total equity *RMB'000*
Balance at 1 January 2017	**150,151**	**4,452,855**	**46,489**	**(3,820,370)**	**829,125**	**4,167**	**833,292**
Comprehensive income							
Profit/(loss) for the year	–	–	–	96,216	96,216	(3,364)	92,852
Other comprehensive income							
Fair value changes of available-for-sale financial assets *(Note 18(a))*	–	–	(65)	–	(65)	–	(65)
Currency translation difference *(Note 18(a))*	–	–	(47,134)	–	(47,134)	–	(47,134)
Total other comprehensive income	–	–	(47,199)	–	(47,199)	–	(47,199)
Total comprehensive income	–	–	(47,199)	96,216	49,017	(3,364)	45,653
Transactions with owners							
Expiry of Bonus Warrants *(Note 18(b))*	–	–	347	(347)	–	–	–
Issue of new shares upon exercise of Bonus Warrants *(Note 18(b))*	21	2,085	4	–	2,110	–	2,110
Transfer to statutory reserve *(Note 18(c))*	–	–	9,593	(9,593)	–	–	–
Total transactions with owners	21	2,085	9,944	(9,940)	2,110	–	2,110
Balance at 31 December 2017	150,172	4,454,940	9,234	(3,734,094)	880,252	803	881,055

The notes on pages 76 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 (Restated) RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**123,147**	31,553
Interest paid		**(8,052)**	(2,591)
Income tax paid		**(498)**	(4,659)
Net cash generated from operating activities		**114,597**	24,303
Cash flows from investing activities			
Purchase of property, plant and equipment		**(376)**	(40,329)
Purchase of intangible assets		**(5,617)**	(6,850)
Proceeds from disposal of property, plant and equipment		**20**	85
Purchase of available-for-sale financial assets		**(448,000)**	–
Proceeds from disposal of available-for-sale financial assets		**448,000**	–
Interest income on financial assets held as investments	26	**1,830**	–
Dividend received from available-for-sale financial assets		**58**	61
Interest received from saving deposits	29	**1,231**	950
Net cash used in investing activities		**(2,854)**	(46,083)
Cash flows from financing activities			
Proceeds from exercise of Bonus Warrants		**2,110**	172,688
Repayment of obligations under finance leases		**(393)**	(227)
Net cash generated from financing activities		**1,717**	172,461
Net increase in cash and cash equivalents		**113,460**	150,679
Cash and cash equivalents at the beginning of the year		**836,150**	642,131
Exchange (loss)/gain on cash and cash equivalents		**(48,445)**	43,340
Cash and cash equivalents at end of year		**901,165**	836,150

The notes on pages 76 to 154 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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 Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 22 March 2018.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Change in presentation currency

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

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

(b) New and amended standards adopted by the Group

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(b) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the presentation currency of the Company (Note 2.1(a)). The functional currency of the Company is HK$.

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group entities

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

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

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

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

2.6 Property, plant and equipment

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

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

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

Buildings	20 years
Leasehold improvements	5-10 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	5-10 years
Network equipment	3 years
Motor vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) -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.

2.7 Intangible assets

(a) Acquired internet platform

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

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

(b) Internal development costs

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

- it is technically feasible to complete the application so that it will be available for use;
- management intends to complete the application and use or sell it;
- there is an ability to use or sell the application;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets *(continued)*

(b) ***Internal development costs*** *(continued)*

- 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.

2.8 Land use rights

Land use rights in the consolidated statement of financial position represent up-front prepayment made for operating leases for land use rights paid to the counterparties. Land use rights are carried at cost and are charged to the consolidated statement of comprehensive income on a straight-line basis over the respective periods of the leases for 25 years.

2.9 Investment properties

Property and land use rights 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. 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.

Changes in fair values are presented in profit or loss as part of other income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of non-financial assets

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

2.11 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(a) ***Classification*** *(continued)*

Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(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.

For available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(b) Recognition and measurement *(continued)*

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 gains/(losses) -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.

2.12 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets *(continued)*

(a) *Assets carried at amortised cost* *(continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets *(continued)*

(a) ***Assets carried at amortised cost*** *(continued)*

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 in a subsequent period.

2.13 Inventories

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

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Cash and cash equivalents

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

2.16 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.

2.17 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.

2.18 Trade and other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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.

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax *(continued)*

(b) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefits

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Provision

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

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

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

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable of 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 on historical results, taking into consideration the type of customer, the type of transaction 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 internet platform usage service mainly to household product seller and buyer. Service fee revenues are recognised at the point of completion of transaction through the Group's online platform and is determined as a percentage of the transaction amount achieved by using the Group's platform.

The Group also provides intermediary service to materials sellers and buyers, through its platform and network resources in the building furnishing materials industry, where the Group is not the primary obligor, does not bear the inventory risk nor have the ability to establish the price. Upon successful sales, the Group will charge the materials sellers a service fee based on the transactions amount. Service fee is recognised as revenue on a net basis at the point of receipt of materials by the buyers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Revenue recognition *(continued)*

(c) Dividend income

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

2.25 Interest income

Interest income is recognised using the effective interest method. When a 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 is recognised using the original effective interest rate.

2.26 Rental income

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

2.27 Leases

(a) The Group is the lessee

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Leases *(continued)*

(a) The Group is the lessee (continued)

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating lease. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

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 RMB, currencies other than the functional currencies of respective group entities. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

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

As at 31 December 2017	**HK$ against RMB** *RMB'000*	**EUR against HK$** *RMB'000*	**RMB against HK$** *RMB'000*	**Total** *RMB'000*
Monetary assets				
– Trade receivables and other receivables	**–**	**223**	**335**	**558**
– Cash and cash equivalents	**248**	**133**	**3,993**	**4,374**
	248	**356**	**4,328**	**4,932**
Monetary liabilities				
– Trade and other payables	**–**	**–**	**(446)**	**(446)**

As at 31 December 2016	HK$ against RMB (Restated) *RMB'000*	EUR against HK$ (Restated) *RMB'000*	RMB against HK$ (Restated) *RMB'000*	Total (Restated) *RMB'000*
Monetary assets				
– Trade receivables and other receivables	–	–	77	77
– Cash and cash equivalents	824	148	10	982
	824	148	87	1,059
Monetary liabilities				
– Trade and other payables	–	–	(966)	(966)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) ***Foreign exchange risk*** *(continued)*

As at 31 December 2017, there are assets and liabilities of approximately RMB14,368,000 (31 December 2016: approximately RMB24,483,000) and approximately RMB757,000 (31 December 2016: approximately RMB1,058,000) 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 2017, 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 2017 and the net assets as at 31 December 2017 would have been increased/decreased by approximately RMB208,000 (for the year ended 31 December 2016: post-tax loss increased/decreased by approximately RMB76,000).

(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 2017 would increase/decrease by approximately RMB2,652,000 (for the year ended 31 December 2016: post-tax profit decreased/increased approximately RMB2,288,000) and the net assets as at 31 December 2017 would increase/decrease by approximately RMB2,684,000 (31 December 2016: the net assets increased/decreased by approximately RMB2,324,000).

(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 2017, 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 2017, 52% (31 December 2016: 62%) 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

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

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
At 31 December 2017				
Borrowings	**2,500**	**2,500**	**51,315**	**56,315**
Trade payables	**65,661**	**–**	**–**	**65,661**
Other payables	**138,526**	**–**	**–**	**138,526**
Obligations under finance leases *(Note 20)*	**395**	**361**	**112**	**868**
Total	**207,082**	**2,861**	**51,427**	**261,370**
At 31 December 2016 (Restated)				
Borrowings	2,679	2,679	57,996	63,354
Trade payables	11,694	–	–	11,694
Other payables	52,884	–	–	52,884
Obligations under finance leases *(Note 20)*	192	192	295	679
Total	67,449	2,871	58,291	128,611

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Total borrowings	**50,833**	54,198
Total assets	**1,205,764**	982,926
Gearing ratio	**4%**	6%

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).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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 2017 and 2016.

	Level 1 *RMB'000*
As at 31 December 2017	
Assets	
Financial assets at fair value through profit or loss *(Note 14)*	**53,042**
Available-for-sale financial assets *(Note 10)*	**645**
Total assets	**53,687**
As at 31 December 2016 (Restated)	
Assets	
Financial assets at fair value through profit or loss *(Note 14)*	45,750
Available-for-sale financial assets *(Note 10)*	710
Total assets	46,460

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

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.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Financial instruments in level 1 *(continued)*

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and 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 semi-annually. The amortisation expense for future periods is adjusted if there are significant changes on the useful lives from previous estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Tax Provisions

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

(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.

5 SEGMENT INFORMATION *(continued)*

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

	Internet community services *RMB'000*	Investments *RMB'000*	Property investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	193,008	2,032	–	66,710	261,750
Dividend income from available-for-sale financial assets *(Note 26)*	–	58	–	–	58
Interest income on financial assets held as investments *(Note 26)*	–	1,830	–	–	1,830
Net change in fair value of financial assets at fair value through profit or loss *(Note 14)*	–	10,791	–	–	10,791
	193,008	14,711	–	66,710	274,429
Segment profit/(loss)	124,922	14,711	(1,204)	2,985	141,414
Unallocated corporate expenses					(10,838)
Unallocated other income					91
Unallocated finance costs-net					(6,783)
Profit before income tax					123,884
Depreciation	(13,645)	–	–	(1,234)	(14,879)
Amortisation	(3,678)	–	–	(261)	(3,939)

5 SEGMENT INFORMATION *(continued)*

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

	Internet community services (Restated) *RMB'000*	Investments (Restated) *RMB'000*	Property investment (Restated) *RMB'000*	Manufacture and sales of accessories (Restated) *RMB'000*	Consolidated (Restated) *RMB'000*
Revenue	31,818	2,463	–	78,969	113,250
Rental income *(Note 26)*	–	–	668	–	668
Dividend income from available-for-sale financial assets *(Note 26)*	–	61	–	–	61
Net change in fair value of financial assets at fair value through profit or loss *(Note 14)*	–	1,043	–	–	1,043
	31,818	3,567	668	78,969	115,022
Segment profit/(loss)	7,123	3,567	(2,632)	1,727	9,785
Unallocated corporate expenses					(3,843)
Unallocated finance costs-net					(1,614)
Profit before income tax					4,328
Depreciation	(7,042)	–	–	(1,329)	(8,371)
Amortisation	(729)	–	–	(262)	(991)

5 SEGMENT INFORMATION *(continued)*

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

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

5 SEGMENT INFORMATION *(continued)*

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

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

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

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

5 SEGMENT INFORMATION *(continued)*

Geographical information

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

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

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

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

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

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

5 SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

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

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

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Network equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 1 January 2016 (Restated)							
Cost	6,113	2,037	5,812	3,628	–	3,395	20,985
Accumulated depreciation	(5,443)	(1,378)	(5,642)	(2,539)	–	(2,786)	(17,788)
Net book amount	670	659	170	1,089	–	609	3,197
Year ended 31 December 2016 (Restated)							
Opening net book amount	670	659	170	1,089	–	609	3,197
Additions	–	162	5	220	40,477	392	41,256
Currency translation differences	–	8	–	32	–	46	86
Disposals	–	–	–	(50)	–	–	(50)
Depreciation	(298)	(328)	(78)	(446)	(7,031)	(215)	(8,396)
Closing net book amount	372	501	97	845	33,446	832	36,093
At 31 December 2016 (Restated)							
Cost	6,113	2,224	5,355	3,866	40,477	3,034	61,069
Accumulated depreciation	(5,741)	(1,723)	(5,258)	(3,021)	(7,031)	(2,202)	(24,976)
Net book amount	372	501	97	845	33,446	832	36,093

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Network equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2017							
Opening net book amount	372	501	97	845	33,446	832	36,093
Additions	–	182	276	334	4,819	800	6,411
Currency translation differences	–	(9)	–	(27)	–	(68)	(104)
Disposals	–	(155)	–	(19)	–	–	(174)
Depreciation	(298)	(210)	(63)	(347)	(13,573)	(411)	(14,902)
Closing net book amount	74	309	310	786	24,692	1,153	27,324
At 31 December 2017							
Cost	6,113	1,508	3,451	2,931	45,296	2,387	61,686
Accumulated depreciation	(6,039)	(1,199)	(3,141)	(2,145)	(20,604)	(1,234)	(34,362)
Net book amount	74	309	310	786	24,692	1,153	27,324

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

	Year ended 31 December 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Administrative expenses	**8,873**	1,286
Cost of sales	**6,021**	4,599
Selling and marketing expenses	**8**	–
Other expense	**–**	2,511
	14,902	8,396

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Cost – capitalised finance leases	**1,481**	842
Accumulated depreciation	**(474)**	(215)
Net book amount	**1,007**	627

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 *RMB'000*	**Capitalised development costs** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2016 (Restated)			
Opening net book amount	–	–	–
Additions	1,117	5,734	6,851
Amortisation charge	(140)	(589)	(729)
Closing net book amount	977	5,145	6,122
At 31 December 2016 (Restated)			
Cost	1,117	5,734	6,851
Accumulated amortisation	(140)	(589)	(729)
Net book amount	977	5,145	6,122

7 INTANGIBLE ASSETS *(continued)*

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

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

8 LAND USE RIGHTS

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Opening net book amount	346	618
Amortisation	(261)	(262)
Disposals	–	(10)
Closing net book amount	85	346

The land is outside Hong Kong and held on leases of 25 years.

Amortisation of approximately RMB261,000 (2016: approximately RMB262,000) was included in the "administrative expenses" in the consolidated statement of comprehensive income.

9 INVESTMENT PROPERTIES

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Balance at the beginning of the year	**15,400**	16,800
Fair value gains/(losses) *(Note 28)*	**200**	(1,400)
Balance at the end of the year	**15,600**	15,400
Unrealised gains/(losses) on properties revaluation included in the consolidated statement of comprehensive income (included in "other gains/(losses)-net" *(Note 28)*)	**200**	(1,400)

(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 2017 and 31 December 2017, 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.

9 INVESTMENT PROPERTIES *(continued)*

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

Description	Fair value at 31 December 2017 *RMB'000*	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs to fair value
Industrial and dormitory buildings	15,600	Level 3	Market comparison approach	Unit price per square meter	RMB1,000 to RMB1,500 per square meter	The higher the unit price per square meter, the higher the fair value

Description	Fair value at 31 December 2016 (Restated) *RMB'000*	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs (Restated)	Relationship of inputs to fair value
Industrial and dormitory buildings	15,400	Level 3	Market comparison approach	Unit price per square meter	RMB1,080 to RMB1,667 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 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Rental income *(Note 26)*	**–**	668
Direct operating expenses arising from investment properties that generate rental income	**(639)**	(591)

As at 31 December 2017, no investment properties (31 December 2016: nil) were pledged as collateral for the Group's borrowings.

As of 31 December 2017 and 2016, 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 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Unit trusts at fair value	**645**	710

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

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Balance at the beginning of the year	**710**	643
Net (losses)/gains transfer (from)/to equity	**(19)**	26
Currency translation difference	**(46)**	41
Balance at the end of the year	**645**	710

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 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Raw materials	**573**	446
Work in progress	**485**	297
Finished goods	**3,558**	1,467
	4,616	2,210

11 INVENTORIES *(continued)*

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB39,291,000 (for the year ended 31 December 2016: approximately RMB47,243,000), which included reversal of write-down of inventories of approximately RMB215,000 (for the year ended 31 December 2016: write-down of inventories approximately RMB14,000).

As at 31 December 2017, inventories with cost of approximately RMB12,000 (31 December 2016: approximately RMB21,000) was considered as obsolete. A full provision of approximately RMB12,000 (31 December 2016: approximately RMB21,000) was made as at 31 December 2017.

12 TRADE RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Trade receivables		
– Third parties	**178,885**	24,410
– A related party *(Note 34(d))*	**–**	882
Trade receivables – gross	**178,885**	25,292
Less: allowance for doubtful debts (b)	**(1,273)**	(4,050)
Trade receivables – net	**177,612**	21,242

Trade receivables were denominated in the following currencies:

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

12 TRADE RECEIVABLES *(continued)*

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

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

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

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

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

12 TRADE RECEIVABLES *(continued)*

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

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

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

13 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Other receivables	**9,612**	2,118
Deductible input value-added tax	**3,175**	5,949
Amounts due from a related party *(Note 34(d))*	**2,549**	2,788
Prepayments	**1,125**	5,732
	16,461	16,587
Less: non-current portion of prepayments (a)	**(183)**	(5,159)
	16,278	11,428

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

13 OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

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

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Held-for-trading investments	**53,042**	45,750

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

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Balance at the beginning of the year	**45,750**	42,034
Changes in fair values recognised in profit or loss	**10,791**	1,043
Currency translation differences	**(3,499)**	2,673
Balance at the end of the year	**53,042**	45,750

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

The change in fair values of financial assets at fair value through profit or loss included unrealised gain of approximately RMB10,791,000 (for the year ended 31 December 2016: unrealised gain of approximately RMB1,043,000).

As at 31 December 2017, held-for-trading investments represented the Group's equity investments in certain Hong Kong listed companies, which were quoted in the Stock Exchange.

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

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at FVOCI *RMB'000*	Assets at FVPL *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets				
2017				
Trade and other receivables	**–**	**–**	**189,773**	**189,773**
Available-for-sale financial assets	**645**	**–**	**–**	**645**
Financial assets at fair value through profit or loss	**–**	**53,042**	**–**	**53,042**
Cash and cash equivalents	**–**	**–**	**901,165**	**901,165**
	645	**53,042**	**1,090,938**	**1,144,625**
2016 (Restated)				
Trade and other receivables	–	–	26,148	26,148
Available-for-sale financial assets	710	–	–	710
Financial assets at fair value through profit or loss	–	45,750	–	45,750
Cash and cash equivalents	–	–	836,150	836,150
	710	45,750	862,298	908,758

15 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Liabilities at amortised cost
	RMB'000
Financial liabilities	
2017	
Trade and other payables	**204,187**
Borrowings	**50,000**
Obligations under finance lease	**833**
	255,020
2016 (Restated)	
Trade and other payables	64,578
Borrowings	53,571
Obligations under finance lease	627
	118,776

16 CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016 (Restated)
	RMB'000	*RMB'000*
Cash at bank and in hand:		
– HK$	**662,133**	728,097
– RMB	**234,960**	96,244
– US$	**3,966**	11,660
– Other currencies	**106**	149
	901,165	836,150

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 RMB'000	Share premium RMB'000
At 1 January 2016 (Restated)		73,589,314,214	148,424	4,282,234
Issue of new shares upon exercise of Bonus Warrants	*18(b)*	1,010,219,233	1,727	170,621
At 31 December 2016 (Restated)		74,599,533,447	150,151	4,452,855
At 1 January 2017		**74,599,533,447**	**150,151**	**4,452,855**
Issue of new shares upon exercise of Bonus Warrants	*18(b)(i)*	**12,135,640**	**21**	**2,085**
At 31 December 2017		**74,611,669,087**	**150,172**	**4,454,940**

18 OTHER RESERVES

	Note	Warrants reserve RMB'000	Investment revaluation reserve RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance at 1 January 2016 (Restated)		(799)	(175)	18,888	(16,264)	–	1,153	1,152	3,955
Fair value changes of available-for-sale financial assets	*(a)*	–	26	–	41	–	–	–	67
Currency translation difference	*(a)*	–	–	–	40,841	–	–	–	40,841
Issue of new shares upon exercise of Bonus Warrants	*(b)*	340	–	–	–	–	–	–	340
Transfer to statutory reserves	*(c)*	–	–	–	–	1,286	–	–	1,286
Balance at 31 December 2016 (Restated)		(459)	(149)	18,888	24,618	1,286	1,153	1,152	46,489
Balance at 1 January 2017		**(459)**	**(149)**	**18,888**	**24,618**	**1,286**	**1,153**	**1,152**	**46,489**
Fair value changes of available-for-sale financial assets	*(a)*	**–**	**(19)**	**–**	**(46)**	**–**	**–**	**–**	**(65)**
Currency translation difference	*(a)*	**–**	**–**	**–**	**(47,134)**	**–**	**–**	**–**	**(47,134)**
Issue of new shares upon exercise of Bonus Warrants	*(b)*	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Transfer to statutory reserves	*(c)*	**–**	**–**	**–**	**–**	**9,593**	**–**	**–**	**9,593**
Transfer to accumulated losses upon expiry of bonus warrants		**287**	**–**	**–**	**60**	**–**	**–**	**–**	**347**
Balance at 31 December 2017		**(168)**	**(168)**	**18,888**	**(22,502)**	**10,879**	**1,153**	**1,152**	**9,234**

18 OTHER RESERVES *(continued)*

(a) Other comprehensive income

	Year ended 31 December 2017		
	Other reserves attributable to owners of the Company	**Non-controlling interests**	**Total other comprehensive income**
	RMB'000	***RMB'000***	***RMB'000***
Items that may be reclassified subsequently to profit or loss:			
Fair value changes of available-for-sale financial assets	**(65)**	**–**	**(65)**
Tax charge	**–**	**–**	**–**
	(65)	**–**	**(65)**
Currency translation difference	**(47,134)**	**–**	**(47,134)**
Tax charge	**–**	**–**	**–**
	(47,134)	**–**	**(47,134)**
Total other comprehensive income – net of tax	**(47,199)**	**–**	**(47,199)**

	Year ended 31 December 2016 (Restated)		
	Other reserves attributable to owners of the Company	Non-controlling Interests	Total other comprehensive income
	RMB'000	*RMB'000*	*RMB'000*
Items that may be reclassified subsequently to profit or loss:			
Fair value changes of available-for-sale financial assets	67	–	67
Tax charge	–	–	–
	67	–	67
Currency translation difference	40,841	–	40,841
Tax charge	–	–	–
	40,841	–	40,841
Total other comprehensive income – net of tax	40,908	–	40,908

18 OTHER RESERVES *(continued)*

(b) Bonus Warrants

	Number of Bonus Warrants	Warrants reserves *RMB'000*
At 1 January 2016 (Restated)	2,036,478,320	(631)
Issue of new shares upon exercise of Bonus Warrants	(1,010,219,233)	340
At 31 December 2016 (Restated)	1,026,259,087	(291)
At 1 January 2017	**1,026,259,087**	**(291)**
Issue of new shares upon exercise of Bonus Warrants (i)	**(12,135,640)**	**4**
Expire on 23 February 2017	**(1,014,123,447)**	**287**
At 31 December 2017	**–**	**–**

(i) During the year ended 31 December 2017, 12,135,640 Bonus Warrants had been exercised by the holders thereof and 12,135,640 ordinary shares were issued and allotted by the Company to these holders. The Group received gross proceeds of approximately RMB2,110,000 from such exercise of the Bonus Warrants, among which approximately RMB21,000 recognised in share capital, approximately RMB2,085,000 recognised in share premium and approximately RMB4,000 recognised in warrants reserves.

(c) 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 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Borrowings included in non-current liabilities:		
Other borrowings – unsecured	**50,000**	53,571

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 are as follows:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
2 – 5 years	**50,000**	53,571

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

The effective interest rates were 5% as at 31 December 2017 (5% as at 31 December 2016).

20 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2017 and 31 December 2016, 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 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*	**31 December 2017** *RMB'000*	31 December 2016 (Restated) *RMB'000*
Amounts payable under finance leases:				
– Within one year	**395**	192	**372**	168
– 1 – 2 years	**361**	192	**352**	175
– 2 – 5 years	**112**	295	**109**	284
	868	679	**833**	627
Less: future finance charges	**(35)**	(52)	**–**	–
Present value of lease obligations	**833**	627	**833**	627
Less: amount due for settlement within one year			**(372)**	(168)
Amount due for settlement after one year			**461**	459

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 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**771**	497
– Deferred tax asset to be recovered within 12 months	**–**	1,819
	771	2,316
Deferred tax liabilities to be recovered over 12 months	**(3,551)**	(3,371)
Deferred tax liabilities (net)	**(2,780)**	(1,055)

21 DEFERRED INCOME TAX *(continued)*

The gross movements on the deferred taxation are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 (Restated) RMB'000
Balance at the beginning of the year	**(1,055)**	(3,585)
Recognised in income tax (expenses)/credit *(Note 30)*	**(1,725)**	2,530
Balance at the end of the year	**(2,780)**	(1,055)

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

Deferred tax assets

	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016 (Restated)	–	–	–
Recognised in income tax credit	1,819	497	2,316
At 31 December 2016 (Restated)	1,819	497	2,316
At 1 January 2017	**1,819**	**497**	**2,316**
Recognised in income tax (expenses)/credit	**(1,819)**	**274**	**(1,545)**
At 31 December 2017	**–**	**771**	**771**

21 DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Revaluation of investment properties		
Balance at the beginning of the year	**(3,371)**	(3,585)
Recognised in income tax (expenses)/credit	**(180)**	214
Balance at the end of the year	**(3,551)**	(3,371)

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 RMB602,490,000 (31 December 2016: approximately RMB641,406,000) in respect of tax losses amounting to approximately RMB3,802,790,000 (31 December 2016: approximately RMB3,716,855,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB14,407,000 (for the year ended 31 December 2016: approximately RMB8,411,000) arising from the PRC subsidiaries will expire in various dates up to 2022 (31 December 2016: 2021). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities of approximately RMB5,035,000 (31 December 2016: approximately RMB643,000) 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 RMB100,693,000 at 31 December 2017 (31 December 2016: approximately RMB12,858,000).

22 TRADE PAYABLES

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

Trade payables were denominated in the following currencies:

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

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

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

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

23 OTHER PAYABLES

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

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

Other payables were denominated in the following currencies:

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

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 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Cost of inventories sold	**39,291**	47,243
Change in finished goods and work in progress	**2,279**	391
Staff costs *(Note 25)*	**61,616**	40,279
Legal and professional fees	**3,337**	3,881
Depreciation *(Note 6)*	**14,902**	8,396
Advertising and promotion costs	**6,468**	1,924
Auditors' remuneration		
– Audit services (a)	**2,380**	2,161
– Non-audit services	**1,011**	932
Amortisation of land use rights *(Note 8)*	**261**	262
Amortisation of intangible assets *(Note 7)*	**3,678**	729
Reversal of provisions and other payables (b)	**(10,755)**	(12,751)

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

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

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Wages and salaries	**52,817**	35,455
Pension costs – statutory pension (b)	**4,211**	2,371
Staff welfare	**2,722**	1,474
Medical benefits	**1,866**	979
	61,616	40,279

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS *(continued)*

(a) Five highest paid individuals

During the year ended 31 December 2017, the five highest paid individuals include no directors (for the year ended 31 December 2016: nil). The emoluments of the remaining five (for the year ended 31 December 2016: five) individual employees were as follows:

	Year ended 31 December 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Salaries and other benefits	**7,670**	7,534
Bonuses	**540**	651
Retirement scheme contributions	**47**	46
	8,257	8,231

The emoluments fell within the following bands:

	No. of employees	
	Year ended 31 December 2017	Year ended 31 December 2016
HK$500,000 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	1
	5	5

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 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Gross scheme contributions	**4,211**	2,371

26 OTHER INCOME

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Interest income on financial assets held as investments	**1,830**	–
Dividend income from available-for-sale financial assets	**58**	61
Network equipment usage and maintenance service income *(Note 34(b))*	**–**	1,946
Rental income	**–**	668
Sundry income	**131**	91
	2,019	2,766

27 OTHER EXPENSE

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

28 OTHER GAINS/(LOSSES)-NET

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

29 FINANCE COSTS-NET

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

30 INCOME TAX (EXPENSES)/CREDIT

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

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

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

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

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

31 EARNINGS PER SHARE

(a) Basic

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

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

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

(b) Diluted

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

31 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

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

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Profit before income tax	**123,884**	4,328
Adjustments for:		
Depreciation *(Note 6)*	**14,902**	8,396
Amortisation of land use rights *(Note 8)*	**261**	262
Amortisation of intangible assets *(Note 7)*	**3,678**	729
Net change in fair value of financial assets at fair value through profit or loss *(Note 14)*	**(10,791)**	(1,043)
Other income	**(2,019)**	(152)
Other (gains)/losses-net	**(2,008)**	1,455
Finance costs-net *(Note 29)*	**6,821**	1,641

32 CASH FLOW INFORMATION *(continued)*

(a) Cash generated from operations *(continued)*

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 (Restated) RMB'000
Changes in working capital:		
Inventories	**(2,386)**	491
Trade receivables	**(153,673)**	(4,068)
Other receivables and prepayments	**(5,376)**	(11,456)
Trade payables	**52,277**	5,960
Other payables	**97,577**	25,010
Net cash generated from operations	**123,147**	31,553

(b) Non-cash investing activities

	31 December 2017 RMB'000	31 December 2016 (Restated) RMB'000
Acquisition of property, plant and equipment by means of finance leases	**651**	392

32 CASH FLOW INFORMATION *(continued)*

(c) Net asset reconciliation

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

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Cash and cash equivalents	**901,165**	836,150
Liquid investments (i)	**53,042**	45,750
Obligation under finance lease – repayable within one year	**(372)**	(168)
Obligation under finance lease – repayable after one year	**(461)**	(459)
Borrowings – repayable after one year	**(50,000)**	(53,571)
Net asset	**903,374**	827,702
Cash and liquid investments	**954,207**	881,900
Gross debt – fixed interest rates	**(50,833)**	(54,198)
Net asset	**903,374**	827,702

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

32 CASH FLOW INFORMATION *(continued)*

(d) Net asset reconciliation

	Cash	Liquid investments(i)	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due after 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net asset as at 1 January 2017 (Restated)	836,150	45,750	(168)	(459)	(53,571)	827,702
Cash flows	65,015	–	393	–	–	65,408
Acquisitions – finance leases	–	–	(447)	(204)	–	(651)
Currency translation differences	–	(3,499)	26	26	3,571	124
Other non-cash movements	–	10,791	(176)	176	–	10,791
Net asset as at 31 December 2017	901,165	53,042	(372)	(461)	(50,000)	903,374

33 COMMITMENTS

(a) Operating leases commitments

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

	31 December 2017	31 December 2016 (Restated)
	RMB'000	*RMB'000*
Not later than one year	**1,488**	1,732
Later than one year but no later than five years	**3,988**	182
	5,476	1,914

33 COMMITMENTS *(continued)*

(b) Capital commitments

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Contracted but not provided for		
– Online platform	**3,108**	3,790

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 2017 and 31 December 2016, 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
Guangzhou Jiasui Property Co., Ltd ("廣州市佳穗置業有限公司")	A subsidiary of Evergrande

34 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
(i) Rental expenses:		
Guangzhou Jiasui Property Co., Ltd	**1,736**	–
Mascotte Investments Limited	**1,200**	1,075
	2,936	1,075
(ii) Revenue from system development and implementation service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**–**	2,830
(iii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**–**	1,946
(iv) Commission revenue:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**–**	832

34 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 (Restated) *RMB'000*
Key management compensation		
– Salaries and other employee benefits	**5,501**	5,442

(d) Balances with related parties

As at 31 December 2017, the Group had the following significant balances with related parties:

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Due from related parties:		
– A key management personnel (i)	**2,549**	2,788
– Evergrande Internet Financial Services (Shenzhen) Co., Ltd	**–**	882
	2,549	3,670

	31 December 2017 *RMB'000*	31 December 2016 (Restated) *RMB'000*
Due to related parties:		
– Guangzhou Jiasui Property Co., Ltd (ii)	**1,736**	–

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

(ii) Amounts due to related parties represented the rental fee payable.

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2017:

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%	–
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. Limited ("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%

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 Dongguan Electrictal Accessories Limited ("馬斯葛(東莞)電子配件有限公司") *(Note (i))*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$1,500,000	–	100%	–
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., Limited.("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))*	The PRC, limited liability company	Internet community services, the PRC	–	–	100%	–
Shenzhen HengTen Intelligence Technology Co., Limited.("深圳市恒騰智能科技有限公司") *(Note (i))*	The PRC, limited liability company	Internet community services, the PRC	RMB1,000,000	–	100%	–
Shenzhen HengTen Building Materials E-Commerce Co., Limited. ("深圳市恒騰材料電子商務有限公司") *(Note (i))*	The PRC, limited liability company	Building furnishing material service, the PRC	–	–	100%	–

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

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

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2017 was approximately RMB803,000 (31 December 2016: approximately RMB4,167,000).

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 2017 ***RMB'000***	31 December 2016 (Restated) *RMB'000*
Current		
Assets	**6,303**	45,759
Liabilities	**(10,581)**	(16,835)
Total net current (liabilities)/assets	**(4,278)**	28,924
Non-current		
Assets	**15,863**	16,121
Liabilities	**(3,551)**	(3,371)
Total net non-current assets	**12,312**	12,750
Net assets	**8,034**	41,674

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

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

Summarised statement of comprehensive income

	Year ended 31 December 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Revenue	**6,117**	16,329
(Loss)/profit before income tax	**(34,726)**	1,083
Income tax credit	**1,086**	1,694
Post-tax (loss)/profit	**(33,640)**	2,777
Other comprehensive income	**–**	–
Total comprehensive income	**(33,640)**	2,777
Total comprehensive income allocated to non-controlling interests	**(3,364)**	278

Summarised statement of cash flows

	Year ended 31 December 2017 ***RMB'000***	Year ended 31 December 2016 (Restated) *RMB'000*
Net cash used in operating activities	**(1,692)**	(346)
Net cash (used in)/generated from investing activities	**(71)**	117
Net decrease in cash and cash equivalents	**(1,763)**	(229)
Cash and cash equivalents at the beginning of year	**7,863**	8,092
Cash and cash equivalents at the end of year	**6,100**	7,863

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

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	31 December 2017 RMB'000	31 December 2016 (Restated) RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**74,383**	79,697
Property, plant and equipment		**1**	41
		74,384	79,738
Current assets			
Amounts due from subsidiaries		**100,662**	103,663
Other receivables		**254**	239
Cash and cash equivalents		**650,393**	715,322
		751,309	819,224
Total assets		**825,693**	898,962
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**150,172**	150,151
Share premium	*(a)*	**4,454,940**	4,452,855
Other reserves	*(a)*	**(19,306)**	35,814
Accumulated losses	*(a)*	**(3,813,904)**	(3,798,895)
Total equity		**771,902**	839,925

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

	Note	**31 December 2017** *RMB'000*	31 December 2016 (Restated) *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**50,000**	53,571
Current liabilities			
Other payables and accruals		**3,791**	5,466
Total liabilities		**53,791**	59,037
Total equity and liabilities		**825,693**	898,962

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2018 and was signed on its behalf.

Xu Wen
Director

Huang Xiangui
Director

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

(a) Reserve movement of the Company

	Share premium RMB'000	Warrants reserve RMB'000	Contributed surplus RMB'000	Translation Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016 (Restated)	4,282,234	(799)	63,481	(73,889)	(3,788,373)	482,654
Loss for the year	–	–	–	–	(10,522)	(10,522)
Issue of new shares upon exercise of Bonus Warrants	170,621	340	–	–	–	170,961
Currency translation difference	–	–	–	46,681	–	46,681
At 31 December 2016 (Restated)	4,452,855	(459)	63,481	(27,208)	(3,798,895)	689,774
At 1 January 2017	**4,452,855**	**(459)**	**63,481**	**(27,208)**	**(3,798,895)**	**689,774**
Loss for the year	**–**	**–**	**–**	**–**	**(14,662)**	**(14,662)**
Issue of new shares upon exercise of Bonus Warrants	**2,085**	**4**	**–**	**–**	**–**	**2,089**
Transfer to accumulated losses upon expiry of Bonus Warrants	**–**	**287**	**–**	**60**	**(347)**	**–**
Currency translation difference	**–**	**–**	**–**	**(55,471)**	**–**	**(55,471)**
At 31 December 2017	**4,454,940**	**(168)**	**63,481**	**(82,619)**	**(3,813,904)**	**621,730**

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 2017 is set out below:

	Fees *RMB'000*	Contribution to pension scheme *RMB'000*	Total *RMB'000*
Chau Shing Yim, David	**300**	**–**	**300**
Nie Zhixin	**300**	**–**	**300**
Chen Haiquan	**300**	**–**	**300**
Shi Zhuomin	**300**	**–**	**300**
Huang Xiangui	**180**	**9**	**189**
Liu Yongzhuo	**180**	**7**	**187**
Xu Wen *(Note (i))*	**123**	**6**	**129**
Zhang Xiaohua *(Note (ii))*	**57**	**–**	**57**
Zhuo Yueqiang	**–**	**–**	**–**
	1,740	**22**	**1,762**

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

	Fees (Restated) *RMB'000*	Contribution to pension scheme (Restated) *RMB'000*	Total (Restated) *RMB'000*
Chau Shing Yim, David	301	–	301
Nie Zhixin	301	–	301
Chen Haiquan	301	–	301
Huang Xiangui	180	11	191
Liu Yongzhuo	180	–	180
Zhang Xiaohua	92	–	92
Peng Jianjun	89	–	89
Shi Zhuomin	79	–	79
Zhuo Yueqiang	–	–	–
	1,523	11	1,534

37 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

Note:

(i) Mr. Xu Wen has been appointed as an executive director and the chairman of the Board of the Company with effect from 25 April 2017.

(ii) Ms. Zhang Xiaohua has resigned as an executive director and the chairlady of the Board of the Company with effect from 25 April 2017.

(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 2017 (for the year ended 31 December 2016: nil).

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

For the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2016: nil).

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

For the year ended 31 December 2017, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2016: nil).

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

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

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December 2017 RMB'000	2016 (Restated) RMB'000	Nine months ended 31 December 2015 (Restated) RMB'000	Year ended 31 March 2015 (Restated) RMB'000	2014 (Restated) RMB'000
RESULTS					
Turnover	**261,750**	113,918	82,159	80,227	87,511
Profit/(loss) before tax	**123,884**	4,328	(183,907)	(110,792)	(433,133)
Income tax (charge) credit	**(31,032)**	257	77	8,470	(4,485)
Profit/(loss) for the year/period	**92,852**	4,585	(183,830)	(102,322)	(437,618)
Attributable to:					
Owners of the Company	**96,216**	4,307	(183,723)	(101,791)	(436,726)
Non-controlling interests	**(3,364)**	278	(107)	(531)	(892)
	92,852	4,585	(183,830)	(102,322)	(437,618)

	As at 31 December 2017 RMB'000	2016 (Restated) RMB'000	2015 (Restated) RMB'000	As at 31 March 2015 (Restated) RMB'000	2014 (Restated) RMB'000
ASSETS AND LIABILITIES					
Total assets	**1,205,764**	982,926	727,987	99,387	116,295
Total liabilities	**(324,709)**	(149,634)	(112,876)	(121,315)	(195,542)
Net assets (liabilities)	**881,055**	833,292	615,111	(21,928)	(79,247)
Equity attributable to owners of the Company	**880,252**	829,125	611,222	(25,924)	(83,774)
Non-controlling interests	**803**	4,167	3,889	3,996	4,527
	881,055	833,292	615,111	(21,928)	(79,247)

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 and has been restated due to change in presentation currency.

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