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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of HengTen Networks Group Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30 June 2019	30 June 2018
		(Unaudited)	(Unaudited)
			(restated)
	Note	***RMB'000***	*RMB'000*
Revenue		**164,126**	230,294
Cost of sales	*4*	**(60,907)**	(48,297)
Gross profit		**103,219**	181,997
Selling and marketing costs	*4*	**(29,344)**	(30,569)
Administrative expenses	*4*	**(26,225)**	(25,637)

	Note	Six months ended 30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) (restated) RMB'000
Net impairment losses on financial assets		**(3,182)**	(282)
Net change in fair value of financial assets at fair value through profit or loss		**–**	(203)
Other income	*5*	**5,050**	3,665
Other expenses	*6*	**(2,704)**	(3,430)
Other gains – net		**381**	917
Operating profit		**47,195**	126,458
Finance costs	*7*	**(1,922)**	(1,222)
Finance income	*7*	**11,219**	4,201
Finance income – net	*7*	**9,297**	2,979
Profit before income tax		**56,492**	129,437
Income tax expense	*8*	**(2,960)**	(28,511)
Profit for the period		**53,532**	100,926
Other comprehensive income			
Item that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**28**	(34)
Currency translation difference		**393**	11,134
Other comprehensive income for the period, net of tax		**421**	11,100
Total comprehensive income for the period		**53,953**	112,026
Profit for the period attributable to:			
Owners of the Company		**53,594**	101,001
Non-controlling interests		**(62)**	(75)
		53,532	100,926

	Note	Six months ended **30 June 2019** **(Unaudited)** ***RMB'000***	 30 June 2018 (Unaudited) (restated) *RMB'000*
Total comprehensive income for the period attributable to:			
Owners of the Company		**54,015**	112,101
Non-controlling interests		**(62)**	(75)
		53,953	112,026
Earnings per share for profit attributable to the ordinary equity holders of the Company for the period: (expressed in RMB cents per share)			
Basic earnings per share	*9*	**0.0665**	0.1244
Diluted earnings per share	*9*	**0.0655**	0.1203

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2019 (Unaudited) *RMB'000***	31 December 2018 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,512**	15,384
Right-of-use assets	*2*	**18,628**	–
Intangible assets		**4,509**	6,777
Investment properties		**15,800**	15,800
Deferred tax assets		**24,743**	20,195
Financial assets at fair value through other comprehensive income		**617**	589
Prepayments		**146**	166
Lease receivables	*2*	**4,564**	–
		77,519	58,911
Current assets			
Inventories		**39,514**	43,119
Trade receivables	*10*	**35,786**	65,019
Other receivables and prepayments	*11*	**41,657**	37,695
Cash and cash equivalents		**1,169,314**	1,227,239
		1,286,271	1,373,072
Total assets		**1,363,790**	1,431,983

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*12*	**150,172**	150,172
Share premium	*12*	**4,454,940**	4,454,940
Other reserves		**69,528**	63,598
Accumulated losses		**(3,579,547)**	(3,627,632)
		1,095,093	1,041,078
Non-controlling interests		**1,501**	1,563
Total equity		**1,096,594**	1,042,641
LIABILITIES			
Non-current liabilities			
Borrowings		**26,316**	52,632
Lease liabilities	*2*	**11,511**	–
Obligations under finance leases	*2*	**–**	115
Deferred tax liabilities		**3,657**	3,657
		41,484	56,404
Current liabilities			
Contract liabilities		**14,110**	51,323
Borrowings		**26,316**	–
Lease liabilities	*2*	**11,607**	–
Obligations under finance leases	*2*	**–**	370
Trade payables	*13*	**13,545**	24,665
Other payables	*14*	**150,632**	211,582
Current income tax liabilities		**9,502**	44,998
		225,712	332,938
Total liabilities		**267,196**	389,342
Total equity and liabilities		**1,363,790**	1,431,983

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 ("Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2019 for the Group:

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

The Group had to change its accounting policies and make certain modified retrospective adjustments as a result of adopting the HKFRS 16 Lease. The impact of the adoption of the leasing are disclosed in note 2 below. The adoption of the remaining new and amended standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 2(b) below.

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

(a) Adjustments recognised on adoption of HKFRS 16

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

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

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

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

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

	30 June 2019	1 January 2019
	RMB'000	*RMB'000*
Properties	**18,216**	22,804
Motor vehicles	**412**	748
Total right-of-use assets	**18,628**	23,552

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

- property, plant and equipment – decrease by RMB748,000
- right-of-use assets – increase by RMB22,804,000 of properties and RMB748,000 of cars
- lease receivables – increase by RMB5,590,000
- lease liabilities – increase by RMB28,879,000
- obligations under finance lease – decrease by RMB485,000

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

The net profit after tax of the Group decreased by RMB415,000 for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

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

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

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

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

The Group leases various warehouses, plants and cars for long-term contracts. Rental contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of warehouses and plants were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

3 SEGMENT INFORMATION

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

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

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 are as follows:

	Internet community and related businesses *RMB'000*	**Property investment and other investment** *RMB'000*	**Manufacture and sales of accessories** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**136,069**	**–**	**28,057**	**164,126**
Timing of revenue recognition				
At a point	**26,186**	**–**	**28,057**	**54,243**
Over time	**109,883**	**–**	**–**	**109,883**
Dividend income from financial assets at FVOCI *(Note 5)*	**–**	**23**	**–**	**23**
	136,069	**23**	**28,057**	**164,149**
Segment profit/(loss)	**55,149**	**(568)**	**(926)**	**53,655**
Unallocated corporate expenses				**(2,706)**
Unallocated finance income – net				**5,543**
Profit before income tax				**56,492**
Depreciation	**10,297**	**–**	**801**	**11,098**
Amortisation	**2,268**	**–**	**–**	**2,268**

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 are as follows:

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	194,851	126	35,317	230,294
Timing of revenue recognition				
At a point	–	126	35,317	35,443
Over time	194,851	–	–	194,851
Dividend income from financial assets at FVOCI *(Note 5)*	–	26	–	26
Net change in fair value of financial assets at FVPL	–	(203)	–	(203)
	194,851	(51)	35,317	230,117
Segment profit/(loss)	124,401	(707)	5,500	129,194
Unallocated corporate expenses				(2,748)
Unallocated finance income – net				2,991
Profit before income tax				129,437
Depreciation	7,606	–	436	8,042
Amortisation	2,148	–	85	2,233

Segment assets and liabilities as at 30 June 2019 are as follows:

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
ASSETS				
Segment assets	**129,776**	**16,418**	**22,487**	**168,681**
Unallocated other receivables and prepayments				**1,052**
Deferred tax assets				**24,743**
Cash and cash equivalents				**1,169,314**
Consolidated total assets				**1,363,790**
LIABILITIES				
Segment liabilities	**184,307**	**–**	**12,936**	**197,243**
Unallocated other payables				**4,162**
Unallocated borrowings				**52,632**
Current income tax liabilities				**9,502**
Deferred tax liabilities				**3,657**
Consolidated total liabilities				**267,196**

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

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

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

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

4 EXPENSES BY NATURE

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

	Six months ended	
	30 June	30 June
	2019	2018
	RMB'000	*RMB'000*
Staff costs	**47,529**	53,244
Cost of inventories sold	**39,809**	27,803
Depreciation and amortisation	**13,366**	10,275
Rental expense	**2,395**	5,046
Travelling expense	**1,992**	1,296
Advertising and promotion costs	**1,904**	5,037
Legal and professional fees	**1,429**	1,175
Write-down of inventories	**(229)**	–
Reversal of provisions and other payables (a)	**(1,042)**	(5,927)

(a) During the six months ended 30 June 2019, the Group assessed the provisions for the taxes and surcharges in relation with certain transactions for which the ultimate tax determination is uncertain. Management considered provisions of approximately RMB1,042,000(six months ended 30 June 2018: RMB5,927,000) were not necessary and determined to reverse the provisions during the period.

5 OTHER INCOME

	Six months ended	
	30 June	30 June
	2019	2018
	RMB'000	*RMB'000*
Income from network equipment usage and maintenance service	**3,664**	3,554
Subleasing income	**1,050**	–
Dividend income from FVOCI	**23**	26
Sundry income	**313**	85
	5,050	3,665

6 OTHER EXPENSES

	Six months ended 30 June 2019 *RMB'000*	30 June 2018 *RMB'000*
Cost of network equipment usage and maintenance service	**1,715**	3,430
Subleasing expenses	**989**	–
	2,704	3,430

7 FINANCE INCOME – NET

	Six months ended 30 June 2019 *RMB'000*	30 June 2018 *RMB'000*
Finance costs:		
– Interest expenses on borrowings	**(1,294)**	(1,209)
– Interest expenses on lease liabilities	**(628)**	(13)
	(1,922)	(1,222)
Finance income:		
– Interest income on deposits	**11,219**	4,201
Finance income – net	**9,297**	2,979

8 INCOME TAX EXPENSE

	Six months ended 30 June 2019 *RMB'000*	30 June 2018 *RMB'000*
Current income tax		
– provision for the period	**10,318**	30,962
– over-provision in respect of prior periods	**(2,810)**	(2,074)
	7,508	28,888
Deferred income tax	**(4,548)**	(377)
	2,960	28,511

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the six months ended 30 June 2019 and 2018.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for a subsidiary of the Group which is entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% (for the six months ended 30 June 2018: 25%) on the estimated assessable profit for the period, based on the existing legislation, interpretations and practices in respect thereof.

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended	
	30 June 2019	30 June 2018
Earnings attributable to owners of the Company (RMB'000)	**53,594**	101,001
Weighted average number of ordinary shares in issue (thousands)	**80,571,604**	81,165,285
Basic earnings per share (RMB cents per share)	**0.0665**	0.1244

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the six months ended 30 June 2019 have been adjusted for the impact of the bonus element implicit in the discount for the new shares and the new warrants issued by the Company on 26 October 2015.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share warrants. The number of shares that would have been issued assuming the exercise of the share warrants less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) 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.

	Six months ended	
	30 June 2019	30 June 2018
Profit attributable to owners of the Company (RMB'000)	**53,594**	101,001
Weighted average number of ordinary shares in issue (thousands)	**80,571,604**	81,165,285
Adjustment for share warrants (thousands)	**1,218,106**	2,819,167
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**81,789,710**	83,984,452
Diluted earnings per share (RMB cents per share)	**0.0655**	0.1203

10 TRADE RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Trade receivables (a)	**46,902**	72,953
Less: allowance for doubtful debts	**(11,116)**	(7,934)
Trade receivables – net	**35,786**	65,019

(a) Trade receivables mainly arose from manufacture and sales of accessories and internet platform services. The Group allows an average credit period ranging from 60 to 150 days to its trade customers. The following is an ageing analysis of trade receivables net of allowances for doubtful debts, based on the invoice date which approximates the revenue recognition date at the end of the reporting period.

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 60 days	**21,526**	23,207
61 days to 180 days	**1,047**	31,001
Over 181 days	**13,213**	10,811
	35,786	65,019

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 30 June 2019 was determined and disclosed as below:

30 June 2019	**Current** *RMB'000*	**Up to 60 days past due** *RMB'000*	**Up to 120 days past due** *RMB'000*	**Up to 180 days past due** *RMB'000*	**More than 180 days past due** *RMB'000*	**Total** *RMB'000*
Expected loss rate	**–**	**0.2%**	**12.2%**	**22.7%**	**50.7%**	
Gross carrying amount	**20,213**	**2,697**	**493**	**3,118**	**20,381**	**46,902**
Loss allowance	**–**	**5**	**60**	**708**	**10,343**	**11,116**

31 December 2018	Current *RMB'000*	Up to 60 days past due *RMB'000*	Up to 120 days past due *RMB'000*	Up to 180 days past due *RMB'000*	More than 180 days past due *RMB'000*	Total *RMB'000*
Expected loss rate	–	3.8%	15.5%	27.2%	49.5%	
Gross carrying amount	18,105	15,267	34,946	1,556	3,079	72,953
Loss allowance	–	587	5,401	423	1,523	7,934

11 OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Other receivables	**19,412**	10,722
Prepayments	**9,031**	8,536
Amounts due from a related party	**9,837**	15,698
Deductible input value-added tax	**3,523**	2,905
	41,803	37,861
Less: non-current portion of deposit receivables and prepayments (a)	**(146)**	(166)
	41,657	37,695

(a) Non-current portion represented the rental deposits.

(b) As at 30 June 2019, the directors considered that the expected credit loss for other receivables due from third parties and related parties and prepayments were immaterial thus no loss allowance was made.

12 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Share capital** *RMB'000*	**Share premium** *RMB'000*
Six months ended 30 June 2018			
Balance at 1 January 2018 and 30 June 2018	74,611,669,087	150,172	4,454,940
Six months ended 30 June 2019			
Balance at 1 January 2019 and 30 June 2019	74,611,669,087	150,172	4,454,940

13 TRADE PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Within 60 days	**12,552**	16,123
61 days to 150 days	**594**	7,068
Over 150 days	**399**	1,474
	13,545	24,665

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

14 OTHER PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Other payables (i)	**137,900**	196,537
Accrued expenses	**8,105**	12,856
Provisions for other taxes	**3,998**	1,668
Amounts due to related parties	**629**	521
	150,632	211,582

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2019, by taking serving users as its core value and driving its business structuring under long-term view as its direction, the Group, as an integrated internet service operator developed under the platform-like operation thinking, has actively explored the improvement of its existing businesses to build the Company's core competitiveness towards the future. The Group has promoted the synergetic development of its 3 major businesses, namely the internet home furnishing business, internet materials business and smart community services.

Financial Performance Summary

The Group recorded a profit attributable to owners of the Company of approximately RMB53.6 million for the six months ended 30 June 2019, which decreased by approximately RMB47.4 million as compared to a profit of approximately RMB101.0 million for the six months ended 30 June 2018. The decrease in the profit for the six months ended 30 June 2019 was mainly due to a decrease in profit in the internet community and related services business segment, which contributed a segment profit of approximately RMB55.1 million for the six months ended 30 June 2019 as compared to a segment profit of approximately RMB124.4 million for the six months ended 30 June 2018.

The basic and diluted earnings per share were RMB0.0665 cents and RMB0.0655 cents for the six months ended 30 June 2019 respectively as compared to the basic and diluted earnings per share of RMB0.1244 cents and RMB0.1203 cents for the six months ended 30 June 2018.

Internet Community and Related Services

During the six months ended 30 June 2019, the Group conducted its internet community and related services business in the communities across China, and its turnover decreased from approximately RMB194.9 million for the six months ended 30 June 2018 to approximately RMB136.1 million for the six months ended 30 June 2019, including revenue from internet home furnishing sector of approximately RMB103.1 million, revenue from internet materials business sector of approximately RMB31.7 million, and revenue from other sectors of approximately RMB1.3 million.

The costs of internet community and related services business are mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin of such segment was approximately 69.2%. After deducting distribution costs and administrative expenses of approximately RMB39.0 million, the segment recorded a profit of approximately RMB55.1 million.

BUSINESS REVIEW

1. Internet Home Furnishing Business

In the first half of 2019, while the Group improved the functions and services of online shopping mall, it also opened a total of over 800 offline experience sample rooms in community. With the support of the comprehensive online and offline marketing system, the Group continuously realized scale development through standardized service. As at 30 June 2019, the Group operated internet home furnishing business at 407 projects in 188 cities and provided furnishing design and sales plans to a total of over 160,000 community property owners.

The Group's internet home furnishing business covers the categories of products such as customized furniture, home appliances, balcony textile art products and soft decorations, decoration projects and kitchen supplies, which would meet customers' consumption needs for one-stop home furnishing. In the first half of 2019, under the circumstance of consumption upgrade, the Group continued to deepen its cooperation with 25 leading brands in the "Home Furnishing Alliance" to ensure the satisfaction of consumers' demands for high quality products and services. In the meantime, the Group continued to optimize the partner rating system, to conduct comprehensive appraisals upon the products and services provided by the suppliers and only selected those qualified which based on strict assessment criteria. The Group also strived to improve the users' experience in home furnishing marketing, logistics and distribution, installation and after-sales services and to develop a standardized service process. At the same time, the Group portrayed a typical user of home furnishing from multiple dimensions including age, academic background, family information and consumption budgets to improve the matching between the user's needs and products and services provided, and accelerated the transformation from selling single products to selling scenario lifestyles. In addition, by embracing different consumption scenarios of users, the Group effectively understood users' consumption demands and continued to optimise installment payment services for home furnishing consumption.

2. Internet Materials Business

The internet materials business of the Group took full advantage of our mature supply chain system of high-quality decorations to consolidate quality resources in the household building materials industry, striving to provide small and medium-sized properties and decoration companies with high-quality building materials supply chain service. In terms of prices, the Group enjoyed obvious advantage in prices leveraging its strengths of economies of scale in centralized procurement; in terms of the diversity of product offering, the Group established cooperation relationship with leading brands by types of products; in terms of product quality, the Group obtained goods from manufacturers to guarantee the authenticity of its products; and in terms of delivery services, the Group built five major stocking and warehousing centres.

Since the second half of 2018, the Group entered into agreements with operators in various cities across the PRC. Operators are responsible for setting up showrooms, establishing warehouses, organizing teams in charge of marketing, storage and delivery, installation and after-sales services, and selling household building materials products to small and medium-sized properties and decoration companies. The new model of the Group's internet materials business will be proceeded as per our business plan.

3. Smart Community Services

During the first half of 2019, the Group continued to leverage HengTen Mimi, one of its smart community services platform, to support communities with property service platform. The smart community services platforms of the Group were mainly for providing support in relation to property fee payment, event reporting, repair reporting and community intelligentization.

Investments

In 2018, the Company have sold all of the financial assets at fair value through profit or loss. During the six months ended 30 June 2019, there was no any new investment.

Loan financing

During the six months ended 30 June 2019, no new loan was granted and therefore no interest income was generated for this segment (six months ended 30 June 2018: nil).

Property investment

During the six months ended 30 June 2019, no rental income was generated.

The fair value of the investment properties remained constant with no material change in market price of properties.

Manufacture and sale of accessories

The segment's turnover decreased from approximately RMB35.3 million for the six months ended 30 June 2018 to approximately RMB28.1 million for the six months ended 30 June 2019, representing a decrease of approximately 20.4%, mainly due to a drop in sales orders.

The gross profit margin recorded approximately 32.5% for the six months ended 30 June 2019, with a slight increase of approximately 0.2 percentage point on average as compared to the gross profit margin for the six months ended 30 June 2018.

BUSINESS OUTLOOK

Looking forward, the Group will actively explore the improvement of its existing business in order to create core competitiveness for the future and achieve a higher level of development.

1. Internet Home Furnishing Business

For internet home furnishing, the Group will build more outstanding business teams and continuously enhance operating level, while exploring in depth the demands of clients and gradually increase average transaction value and conversion rate. In the future, the Group will constantly increase the number of communities receiving services from it, effectively increase the number of clients using its services, and continuously facilitate the standardization and scale-up of the operation of its internet home furnishing business.

2. Smart Community Services

For smart community services, while providing platform support to basic property services, the Group will also increase its input in community intelligentization in order to provide quality smart community services to more communities.

3. Internet Materials Business

In terms of the internet materials business, the Group will further build an internet materials platform and expand the scope of business to cover a complete range of home furnishing construction materials, aiming to offer businesses and customers with efficient connection and transaction matching and building an ecosystem for the home furnishing and construction materials platform.

The Group endeavours to build a leading platform of internet materials in the industry. The Group has a prominent competitive advantage in terms of product price, and will develop city operators and set up experience stores in cities within the country. Other than consolidating a complete range of the resources for home furnishing and construction materials, the Group will also increase the trading volume of its platform by completely channelling the online and offline customer's flow. The Group will continue to promote the steady development of the internet materials business.

Manufacture and sales of accessories

The Group expects that the general demand for photographic accessories will further decline. Nevertheless, the Group has developed several complex products with integrated circuit, which are successively launched. The Group will continuously develop products to suit customers' needs to increase this segment's turnover, and will continuously control its cost, strengthen customer relationship and capture any opportunity to improve this segment's position, both financially and operationally.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the six months ended 30 June 2019, the liquidity of the Group was closely monitored by the Board and the Group reviewed its working capital and finance requirements on a regular basis.

Liquidity

As at 30 June 2019, the Group maintained cash and bank balances of approximately RMB1,169.3 million (as at 31 December 2018: approximately RMB1,227.2 million). The decrease in cash and bank balances was mainly attributable to the operations of internet community segment.

Borrowings and Gearing Ratio

As at 30 June 2019, the Group's net equity amounted to approximately RMB1,096.6 million (as at 31 December 2018: approximately RMB1,042.6 million) with total assets amounting to approximately RMB1,363.8 million (as at 31 December 2018: approximately RMB1,432.0 million). Net current assets were approximately RMB1,060.6 million (as at 31 December 2018: approximately RMB1,040.1 million) and the current ratio was 5.7 times (as at 31 December 2018: 4.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings plus obligations under finance lease and lease liabilities) over shareholders' funds was 6.9% (as at 31 December 2018: 5.1%).

CHARGE OF ASSETS

As at 30 June 2019, the Group did not have any charges on assets (as at 31 December 2018: nil).

COMMITMENT

As at 30 June 2019, the Group has capital commitment of approximately RMB31,000 mainly for system development and purchase of technology equipment in relation to the internet community services online platform (as at 31 December 2018: approximately RMB31,000).

CONTINGENT LIABILITIES

The Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 30 June 2019 (as at 31 December 2018: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("**RMB**") during the six months ended 30 June 2019. The internet community services business is mainly carried out in RMB in China Mainland. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the six months ended 30 June 2019, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2019.

SHARE-BASED PAYMENTS

2013 Option Scheme

The Company's share option scheme (the "**2013 Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Option Scheme is to provide incentives to eligible participants. During the six months ended 30 June 2019, no option had been granted and there was no outstanding share option of the Company as at 30 June 2019 (as at 31 December 2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed approximately 371 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the six months ended 30 June 2019, including directors' emoluments, amounted to approximately RMB47.5 million.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

REVIEW OF INTERIM RESULTS

The interim financial information of the Company for the six months ended 30 June 2019 has been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed legal and compliance, internal controls, risk management and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

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 six months ended 30 June 2019 except for the following deviations 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 six months ended 30 June 2019, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

COMPLIANCE WITH THE MODEL CODE

The Company 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 six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

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

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

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

Hong Kong, 22 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Xu Wen, Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.