

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

BUSINESS UPDATE STRATEGIC DIRECTIONS OF THE GROUP

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the circular of HengTen Networks Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 September 2015 in relation to the Subscription (the “**Circular**”), the announcement of the Company dated 23 September 2016 in relation to its business update (the “**Relevant Announcement**”), and the 2016 Annual Report and 2017 Interim Report of the Company. Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

DEVELOPMENT STATUS OF INTERNET COMMUNITY SERVICES

As mentioned in the 2016 Annual Report and 2017 Interim Report of the Company, the integrated internet community services business operated by the Group, including community life services, internet home furnishing services (referred to as “internet home business” in the 2016 Annual Report and 2017 Interim Report of the Company), has achieved overall steady growth in 2016 and the first half of 2017. The board of directors of the Company (the “**Board**”) has continuously reviewed the market trends and the business performance of the Group over the course of the business development. After careful studies and discussions, and having taken into account the prevailing market and industry development trends, the Board proposes that, moving forward, the Group should adopt the strategic plans as described below.

STRATEGIC DIRECTIONS OF THE GROUP

1. The Group's internet community services business will focus on the internet home furnishing sector

Leveraging its experience in developing integrated community services, the Group has developed “Htmehome (恒騰蜜家)” (an online and offline interactive internet home furnishing e-commerce platform) which provides customers with an one-stop-shop experience in furniture and household products shopping, catering to various preferences of style, product and services in interior design by different customers. It also provides participating suppliers with sales and marketing services on the e-commerce platform. Additionally the Group has already successfully set up offline show flats at a number of property developments to promote the “Htmehome (恒騰蜜家)” service. In the future, the Group plans to promote the “Htmehome (恒騰蜜家)” service to cover more property developments, and to expand and optimize product offerings in order to generate future growth opportunities.

The revenue attributable to the internet home furnishing sector in 2016 and the first half of 2017 amounted to approximately HK\$31,000,000 and approximately HK\$48,100,000, respectively, representing approximately 83% of the total revenue of the entire internet community services business (for 2016) and approximately 85% (for the first half of 2017), and this business has become the main growth driver of the entire internet community services business.

The Board believes that the home furnishing market will continue to expand steadily and will also present promising industry consolidation opportunities for future growth. Therefore, the Board proposes that the Group's internet community services business should focus on the internet home furnishing sector to effectively allocate its resources on the development of the higher-growth business.

2. The Group will use its online platform(s) to actively develop an internet materials logistics business

The Group has developed a supply chain advantage in the course of operating its internet home furnishing business, and the products supplied for that business can be extended to include building furnishing materials (including home renovation materials, furniture and household products) (collectively, “**Materials**”). After carefully studying the potential opportunities in the markets for the relevant Materials, coupled with the Group's advantages in the supplier network and internet platform(s), the Board considers that the Group is well positioned to aggregate various Materials suppliers in China and leverage its online platform(s) to actively develop an internet materials logistics business.

The Board believes that in the future the internet materials logistics business will be developed as an open platform to serve all players in the relevant Materials market, and benefit from network effect and economies of scale when it is able to connect a large number of suppliers and customers. The Group plans to take advantage of China Evergrande Group's Materials supplier network to establish this business, and it is expected that, at its early stage a relatively higher portion of the Materials sold will be used on China Evergrande Group's projects by independent third party construction companies with a business relationship with China Evergrande Group. The Board also expects that in developing the internet materials logistics business, while continuing with the research and development of its online platform(s), the Group will also have to invest offline in assets and projects relating to logistics (and other supporting) services.

3. Other business developments

Apart from the strategic plans described above, the Group intends to continuously explore and develop new business models in different manners, striving to generate higher profits for the Company and its shareholders.

On the other hand, in relation to the Group's manufacture and sales of photographic accessories business, the Group will continue to control costs, strengthen customer relationships, expand its customer base, develop products satisfying customers' camera needs, and monitor debt levels and capital requirements.

LATEST UPDATE ON THE USE OF PROCEEDS DISCUSSED IN THE RELEVANT ANNOUNCEMENT

As mentioned in the Relevant Announcement published by the Company on 23 September 2016, the proceeds received by the Company from the Subscription amounted to approximately HK\$672,401,409 (the "**Initial Amount**"). In the Relevant Announcement, the Company provided an adjusted and revised First Stage Development Plan for the use of proceeds in relation to the Initial Amount (the "**Previous Development Plan**"). The Previous Development Plan was expected to be implemented within 12 to 18 months from the date of the Relevant Announcement. As mentioned above, the integrated internet community services introduced by the Group has delivered positive initial results. However, for the reasons discussed below, utilization of proceeds under the Previous Development Plan as a whole has been in a pace slower than expected. After careful studies and discussions, and having taken into account the Group's current business conditions and its strategic plans as described above, the Board proposes that the remaining Initial Amount should be used for the purposes set out below.

(1) Continuing research and development of online trading platforms and other internet related technologies

According to the Previous Development Plan, the total estimated expenses for the item headed “Research and development of the ICS Online Platform and related systems technology” was approximately HK\$148,000,000. So far, approximately HK\$50,000,000 has been utilized for staff remuneration, and the expenses for engaging external technical consultants, conducting feasibility studies and purchase of software altogether have been relatively small (approximately HK\$2,000,000). In light of the uniqueness, exclusivity and confidentiality of internet technology, the Company proposes that the internet technology development and research of the Group should be mainly conducted by its own technical team. Therefore, the Group plans to continue to strengthen its technical team and proposes to hire around 700 professional staff in total to meet the business development needs of the Group, and estimates that the total expenses under this item (1) for the next 12 months to be in the amount of approximately HK\$198,000,000, mainly for payment of professional staff remuneration.

(2) Marketing expenses for maintaining the ICS Online Platform and developing the internet home furnishing sector

According to the Previous Development Plan, the total estimated expenses for the item headed “Implementation of the ICS Online Platform” was approximately HK\$92,000,000. So far, the amount utilized under this item has been relatively small (approximately HK\$7,000,000). The “stickiness” of the ICS Online Platform users towards the different types of internet services offered by the Group has been higher than expected, and as a result the marketing costs required for attracting and retaining users have been lowered significantly, and little marketing expenses for brand promotion have been incurred; further, given the development processes of the Group’s various businesses have been in an early incubation stage, the pace of any large-scale expansion has been slower than expected, which has also slowed down the pace of marketing spending. Moving forward, given the Group’s strategic plan to focus on the internet home furnishing sector, the Group’s marketing expenses will include spending for development of home furnishing exhibitions and offline show flats, development and marketing expenses for accelerated expansion of its residential developments coverage in China and general marketing expenses for developing the internet home furnishing sector. The total expenses for this item (2) in the next 12 months is estimated to be approximately HK\$71,000,000.

(3) Development of supporting infrastructure for the participants in the ICS Online Platform has been completed

According to the Previous Development Plan, the total estimated expenses for “Developing supporting infrastructure for ICS Online Platform participants” was HK\$75,000,000. The Company has already utilized such amount to complete purchases of the relevant computer servers, computer storage devices and network components.

(4) Acquisition and Investment

As disclosed in the Relevant Announcement, the Group intends to constantly improve its business models and actively explore and develop new business models by way of (but not limited to) acquisitions, equity or other investments and participation in the cultivation of new projects, as well as selecting high-quality partners, in order to maximize the returns (collectively, “**Acquisition and Investment**”). As stated in the Previous Development Plan, the total estimated expenses for the item related to Acquisition and Investment was approximately HK\$307,000,000. The Group has been attempting to search for potential Acquisition and Investment opportunities, but so far it has not completed any Acquisition and Investment projects that it finds suitable. Given the strategic plans of the Group as described above, the Group will actively continue to seek suitable Acquisition and Investment targets, including assets and projects relating to offline logistics (or other supporting) services required for the development of the internet home furnishing sector. Based on the Group’s current estimate, approximately HK\$234,000,000 will be reserved for ongoing Acquisition and Investment purposes.

(5) General working capital

According to the Previous Development Plan, the estimated general working capital need was approximately HK\$50,000,000. As the business of the Group continues to develop, the general working capital need of the Group may need to be adjusted accordingly.

Based on the Company’s assessment of business needs and market conditions from time to time and/or if a large number of new warrants are exercised leading to a substantial increase in the proceeds, the Company may further adjust and modify the planned use of proceeds stated above. Further announcement(s) will be made by the Company to update shareholders and investors of any significant adjustment or modification as and when appropriate.

OPINION OF THE DIRECTORS

The directors of the Company (including independent non-executive directors) are of the view that the Group’s strategic plans and the updated use of proceeds as set out above will be able to create higher value to the Company and its shareholders in the long run, and therefore, the above proposals are in the interests of the Company and its shareholders as a whole.

There is no assurance that any forward-looking statements regarding the business development of the Group in this announcement or any of the matters or transactions set out herein are attainable, will actually occur or will be realised or are complete or accurate. The financial and other data relating to the Group as disclosed in this announcement has also not been audited or reviewed by its auditors. 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 any excessive reliance on the information disclosed herein. Any shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

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

Hong Kong, 26 October 2017

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.