HENGTEN NETWORKS GROUP LIMITED
恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS

The board (the "Board") of directors ("Directors") of HengTen Networks Group Limited (the "Company" or "HengTen Networks") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with comparative figures for the nine months ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December 2016** *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Revenue	*2*	**132,503**	101,049
Cost of sales	*3*	**(75,816)**	(73,939)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — *continued*

	Note	**Year ended 31 December 2016** *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Gross profit		**56,687**	27,110
Selling and marketing costs	*3*	**(8,873)**	(3,371)
Administrative expenses	*3*	**(41,067)**	(45,321)
Net change in fair value of financial assets at fair value through profit or loss		**1,220**	(22,608)
Other income	*4*	**3,236**	1,093
Other expense	*5*	**(2,937)**	–
Other (losses)/gains – net	*6*	**(1,282)**	2,668
Equity-settled share-based payments	*7*	**–**	(184,808)
Operating profit/(loss)		**6,984**	(225,237)
Finance costs	*8*	**(3,031)**	(2,874)
Finance income	*8*	**1,112**	66
Finance costs – net	*8*	**(1,919)**	(2,808)
Profit/(loss) before income tax		**5,065**	(228,045)
Income tax credit	*9*	**300**	95
Profit/(loss) for the year/period		**5,365**	(227,950)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — *continued*

	Note	**Year ended 31 December 2016**	Nine months ended 31 December 2015
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net gain/(loss) on fair value changes of available-for-sale financial assets		**30**	(145)
Exchange differences on translating foreign operations		**(6,134)**	708
Other comprehensive income for the year/ period, net of tax		**(6,104)**	563
Total comprehensive income for the year/ period		**(739)**	(227,387)
Profit/(loss) attributable to:			
– owners of the Company		**5,039**	(227,817)
– non-controlling interests		**326**	(133)
		5,365	(227,950)
Total comprehensive income attributable to:			
– owners of the Company		**(789)**	(226,986)
– non-controlling interests		**50**	(401)
		(739)	(227,387)
Earnings/(loss) per share attributable to owners of the Company for the year/period (expressed in HK cents per share)			
– Basic earnings/(loss) per share	*10*	**0.0062**	(0.29)
– Diluted earnings/(loss) per share	*10*	**0.0060**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *continued*

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**60,000**	60,000
Obligations under finance leases		**515**	300
Deferred tax liabilities		**3,776**	4,266
		64,291	64,566
Current liabilities			
Trade payables	*14*	**13,097**	6,124
Advance receipts and other payables	*15*	**83,735**	54,310
Current income tax liabilities		**6,278**	9,113
Obligations under finance leases		**188**	210
		103,298	69,757
Total liabilities		**167,589**	134,323
Total equity and liabilities		**1,100,876**	866,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

Pursuant to a resolution of the Board dated 22 December 2015, the financial year end date of the Company has been changed from 31 March to 31 December to align with the financial year end date of its ultimate holding company, China Evergrande Group ("Evergrande", formerly known as "Evergrande Real Estate Group Limited"), and thereby facilitate the preparation of the consolidated financial statements of Evergrande. Accordingly, the current financial period covers a twelve-month period from 1 January 2016 to 31 December 2016 and the comparative financial period covers a nine-month period from 1 April 2015 to 31 December 2015. The comparative figures for the consolidated statement of comprehensive income and related notes thereto are not directly comparable.

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

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 SEGMENT INFORMATION

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

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

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

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

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

	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
Revenue	–	–	101,049	101,049
Rental income *(Note 4)*	–	828	–	828
Dividend income from available-for-sale financial assets *(Note 4)*	53	–	–	53
Net change in fair value of financial assets at fair value through profit or loss	(22,608)	–	–	(22,608)
	(22,555)	828	101,049	79,322
Segment (loss)/profit	(23,639)	(94)	2,054	(21,679)
Unallocated corporate expenses				(203,759)
Unallocated other income				243
Unallocated finance costs				(2,850)
Loss before income tax				(228,045)
Depreciation	–	–	(887)	(887)
Amortisation	–	–	(247)	(247)

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

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

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

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

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

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

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

Geographical information

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

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

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

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

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

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

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

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

3 EXPENSES BY NATURE

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

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Cost of inventories sold	**55,274**	65,566
Change in finished goods and work in progress	**458**	405
Staff costs (excluding equity-settled share-based payments)	**47,126**	31,409
Legal and professional fees	**4,541**	2,517
Depreciation	**9,823**	1,325
Advertising and promotion costs	**2,251**	4
Auditors' remuneration		
– Audit services	**2,528**	1,728
– Non-audit services	**1,090**	1,345
Amortisation of land use rights	**307**	247
Amortisation of intangible assets *(Note 11)*	**853**	–
Reversal of provisions and other payables (a)	**(14,919)**	–

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

4 OTHER INCOME

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

5 OTHER EXPENSE

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

6 OTHER (LOSSES)/GAINS – NET

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

7 EQUITY-SETTLED SHARE-BASED PAYMENTS

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

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

8 FINANCE COSTS – NET

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

9 INCOME TAX CREDIT

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

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

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

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year/period, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the year ended 31 December 2016 (for the nine months ended 31 December 2015: nil).

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

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

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

The weighted average number of ordinary shares adopted in the calculation of basic earnings/(loss) per share for the year ended 31 December 2016 and the nine months ended 31 December 2015 have been adjusted for the impact of share consolidation completed on 27 October 2015 and the bonus element implicit in the discount for the new shares and the new warrants issued on 26 October 2015.

(b) Diluted

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

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

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

11 INTANGIBLE ASSETS

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

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

12 TRADE RECEIVABLES

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

Trade receivables were denominated in the following currencies:

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

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

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Within 60 days	**19,369**	11,839
61 days to 150 days	**4,422**	7,148
151 days to 365 days	**–**	85
	23,791	19,072

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

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

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

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

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

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

13 OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

14 TRADE PAYABLES

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

Trade payables were denominated in the following currencies:

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

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

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

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

15 ADVANCE RECEIPTS AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

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

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

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

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

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

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

Internet Community Services

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

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

(I) Market Overview

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

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

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

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

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

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

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

(II) Business Development

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

1. Fundamental Sectors

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

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

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

(1) Property Services

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

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

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

(2) Neighbourhood Social Networking

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

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

(3) Life Services

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

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

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

2. Value-added Sectors

(1) Internet Home

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

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

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

(2) Community Finance

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

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

3. Derivative Sectors

Second-hand Properties Business

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

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

Manufacture and sales of accessories

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

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

Investments

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

Loan financing

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

Property investment

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

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

PROSPECTS

Internet Community Services

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

(I) Product Development Plan

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

1. Fundamental Sectors

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

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

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

2. Value-added Sectors

(1) Internet Home

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

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

(2) Community Finance

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

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

3. Derivative Sectors

Second-hand Properties Business

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

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

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

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

(II) Platform Operation Plan

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

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

Manufacturing and sales of accessories

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

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through fund raising exercise, borrowings and shareholder's equity. During the year ended 31 December 2016, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 December 2016, the Group maintained cash and bank balance of approximately HK$936.5 million (as at 31 December 2015: approximately HK$764.1 million). The increase in cash and bank balance was mainly due to the proceeds from exercise of the Existing Warrants (defined below) and the advanced receipt from the provision of the "new properties with move-in condition" service in the internet community services segment.

Capital Resources

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

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

Borrowings and Gearing Ratio

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

CHARGE OF ASSETS

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

CURRENCY RISK MANAGEMENT

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

COMMITMENT

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

CONTINGENT LIABILITIES

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

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

FINAL DIVIDEND

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

REVIEW OF RESULTS

The Audit Committee of the Company consists of three of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan. The Audit Committee assists the Board in, among others, providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2016.

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016 by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL ACQUISITION AND DISPOSAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices of the Company 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 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 "Stock Exchange") ("the Listing Rules") during the year ended 31 December 2016 except for the following deviations from the Code provision:

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

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

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, they confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2016.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This annual 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 annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

2017 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's 2017 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement 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.

By order of the Board
HengTen Networks Group Limited
Zhang Xiaohua
Chairlady

Hong Kong, 21 March 2017

As at the date of this announcement, the executive directors of the Company are Ms. Zhang Xiaohua, 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.