



恒騰網絡
hengten networks

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

(formerly known as Mascotte Holdings Limited (馬斯葛集團有限公司*))

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

(Stock Code of Warrants: 1493)

INTERIM REPORT 2015



* For identification purpose only



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

- Mr. Peng Jianjun (*Chairman*)
(Appointment effective on 26 October 2015)
- Mr. Liu Yongzhuo (Appointment effective on 26 October 2015)
- Mr. Huang Xiangui (Appointment effective on 26 October 2015)
- Mr. Zhuo Yueqiang (Appointment effective on 26 October 2015)
- Mr. Chung Yuk Lun (*ex-Chairman*)
(Re-designated as Chairman on 1 May 2015 and resigned on 26 October 2015)
- Dr. Kwong Kai Sing, Benny (*ex-Managing Director*)
(Appointed on 1 May 2015 and resigned on 26 October 2015)
- Mr. Chow Chi Wah, Vincent (Resigned on 26 October 2015)

Independent Non-executive Directors

- Mr. Chau Shing Yim, David
(Appointment effective on 26 October 2015)
- Mr. Nie Zhixin (Appointment effective on 26 October 2015)
- Mr. Chen Haiquan (Appointment effective on 26 October 2015)
- Mr. Frank H. Miu (Resigned on 26 October 2015)
- Mr. Robert James Iaia II (Resigned on 26 October 2015)
- Mr. Hung Cho Sing (Resigned on 26 October 2015)
- Mr. Chung Kong Fei, Stephen
(Resigned on 26 October 2015)

Audit Committee

- Mr. Chau Shing Yim, David (*Chairman*)
(Appointed on 26 October 2015)
- Mr. Nie Zhixin (Appointed on 26 October 2015)
- Mr. Chen Haiquan (Appointed on 26 October 2015)
- Mr. Frank H. Miu (*ex-Chairman*)
(Resigned on 26 October 2015)
- Mr. Robert James Iaia II (Resigned on 26 October 2015)
- Mr. Hung Cho Sing (Resigned on 26 October 2015)

Remuneration Committee

- Mr. Chau Shing Yim, David (*Chairman*)
(Appointed on 26 October 2015)
- Mr. Peng Jianjun (Appointed on 26 October 2015)
- Mr. Nie Zhixin (Appointed on 26 October 2015)
- Mr. Robert James Iaia II (*ex-Chairman*)
(Resigned on 26 October 2015)
- Mr. Chung Yuk Lun (Resigned on 26 October 2015)
- Mr. Frank H. Miu (Resigned on 26 October 2015)
- Mr. Hung Cho Sing (Resigned on 26 October 2015)

Nomination Committee

- Mr. Peng Jianjun (*Chairman*)
(Appointed on 26 October 2015)
- Mr. Nie Zhixin (Appointed on 26 October 2015)
- Mr. Chen Haiquan (Appointed on 26 October 2015)
- Mr. Robert James Iaia II (*ex-Chairman*)
(Resigned on 26 October 2015)
- Mr. Frank H. Miu (Resigned on 26 October 2015)
- Mr. Chung Yuk Lun (Resigned on 26 October 2015)

COMPANY SECRETARY

- Mr. Fong Kar Chun, Jimmy (Appointed on 26 October 2015)
- Mr. Chung Yuk Lun (Resigned on 26 October 2015)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1501-07
One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRARS

Bermuda

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

Hong Kong

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountant

WEBSITE ADDRESS

<http://www.htmimi.com>

EXECUTIVE DIRECTORS

Mr. Peng Jianjun, aged 45, has over 20 years of experience in management of large enterprises. Mr. Peng has been serving Evergrande Real Estate Group Limited and its subsidiaries (“**Evergrande Group**”) since 2007 and has served as a vice president of Evergrande Group and the general manager of the Evergrande hotel group and the chairman of the board of directors of the Evergrande grain and oil group.

Mr. Peng graduated from Jinan University with a PhD degree in management, master’s degree in business administration and obtained a bachelor’s degree in economics from Xiangtan University. Mr. Peng is also a senior economist, an adjunct professor at Jinan University, a doctoral tutor at the City University of Macau and the executive president of the Guangdong Hotel Industry Association. He has published books such as “Managing Customers’ Complaints” (《顧客抱怨管理》).

Mr. Liu Yongzhuo, aged 34, has over 13 years of experience in human resource management, investment and operation of real estate projects and management and operation of multi-industry companies. Mr. Liu has been serving Evergrande Group since 2003 and has served as the chairman of the board of directors of Evergrande culture industry group and the Evergrande spring water group. He is now serving as a vice president of Evergrande Group and the chairman of the board of directors of Guangzhou Evergrande Taobao Football Club.

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

Mr. Huang Xiangui, aged 45, has over 18 years of experience in marketing, human resource management and operation, management of foreign-funded enterprises, capital market and investors relation management. Mr. Huang has been serving Evergrande Group since 2004 and now serves as an executive director of Evergrande Real Estate Group Limited (Stock Code: 3333), the assistant to president and the general manager of the Hong Kong office. Evergrande Real Estate Group Limited is a company listed on the Stock Exchange. Mr. Huang also acts as a director of certain subsidiaries of the Company.

Mr. Huang graduated from Harbin Engineering University and University of Stirling in the United Kingdom and obtained a bachelor’s degree in chemical engineering and a master of science degree in banking and finance.

Mr. Zhuo Yueqiang, aged 40, has over 9 years of experience in management in the mobile internet business. Mr. Zhuo has been serving Tencent since 2004 and has served as the manager of South China area of the mobile internet group and the general manager of the business operations department of the mobile internet group of Tencent. Since 2015, Mr. Zhuo has been serving as the manager and the primary person in charge of the business co-operation department of the Weixin group of Tencent.

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



PROFILE OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David, aged 52, has over 22 years of experience in initial public offerings, restructuring of PRC enterprises and cross-border and domestic takeovers. Mr. Chau is currently an independent non-executive director of Evergrande Real Estate Group Limited (Stock Code: 3333), Evergrande Health Industry Group Limited (Stock Code: 708), Up Energy Development Group Limited (Stock Code: 307), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), Man Wah Holdings Limited (Stock code: 1999), Richly Field China Development Limited (Stock code: 313), and Varitronix International Limited (Stock Code: 710). Mr. Chau was also an independent non-executive director of China Solar Energy Holdings Limited (Stock Code: 155). The shares of all the aforementioned companies are listed on the Stock Exchange.

Mr. Chau was formerly a partner of one of the big four accounting firm in Hong Kong, heading the merger and acquisition and corporate advisory services department. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales (“**ICAEW**”), holding the Corporate Finance Qualification granted by ICAEW and by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA.

Mr. Nie Zhixin, aged 53, is the standing vice president of the Henan Chamber of Commerce in the Guangdong province, vice president of the Tianhe Road Chamber of Commerce in Guangzhou, vice president of the Chain-operations Management Association in Guangzhou and general manager of Gladith Fashion Co., Ltd. in Guangzhou. In 1990, Mr. Nie established the “GLADITH • 葛來娣” fashion brand in Guangzhou which has now become one of the well known women’s fashion brands in the PRC.

Mr. Chen Haiquan, aged 45, is a doctorate holder from the Chuo University, Japan, a professor at the Jinan University. He also serves as the representative of the Guangdong Institute of Asia-pacific E-commerce, dean of the Guangdong Research Institute of Modern Logistics, vice president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province and vice president of the Association of Business and Economics in the Guangdong province. Mr. Chen also serves as an independent director of Guangzhou Friendship Group Co., Ltd. (listed on the Shenzhen Main Board with Stock Code: 00987).

Mr. Chen graduated from the graduate school of Daito Bunka University, Japan and the graduate school of Chuo University, Japan and obtained a master’s degree in economics and a doctorate in comprehensive policy, respectively.

Each of the Directors has entered into a service contract with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. The remuneration (excluding any additional service compensation and discretionary bonus) of each of the executive Directors is RMB15,000 per month. The remuneration (excluding any additional service compensation and discretionary bonus) of each of the independent non-executive Directors is RMB300,000 per year. The respective remuneration of each Director was determined by the Board with reference to the prevailing market conditions and the prospective roles and responsibilities of such Director in the Company.



PROFILE OF DIRECTORS

Save as disclosed above, as at the date of this report, each of the Directors:

- a) has not held any other directorships in any other listed public companies in the last three years and does not have any relationship with any Director, senior management or substantial or controlling shareholder of the Company;
- b) does not have any interests in shares of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
- c) does not hold any other position in the Company or any of its subsidiaries; and
- d) has no other information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, nor is there any matter that needs to be brought to the attention of the Shareholders of the Company in relation to his appointment as a Director.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF
HENG TEN NETWORKS GROUP LIMITED**
(FORMERLY KNOWN AS MASCOTTE HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of HengTen Networks Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 33, which comprise the condensed consolidated statement of financial position as of 30 September 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 November 2015

The Board of Directors (the "Board") of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (the "Company") announces the unaudited interim financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2015 (the "Period") together with comparative figures. The unaudited interim financial results have not been audited, but have been reviewed by the Company's auditors and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	NOTES	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations			
Turnover			
Sales of goods	3	73,201	53,025
Cost of sales		(54,456)	(34,640)
		18,745	18,385
Investment income		–	3
Rental income		557	561
Net change in fair value of financial assets at fair value through profit or loss		(24,490)	9,900
		(5,188)	28,849
Other income	4	2,771	441
Other gains and losses, net	4	32	169
Selling and distribution costs		(2,280)	(2,940)
Administrative expenses		(211,095)	(29,842)
Finance costs	5	(2,111)	(10,164)
		(217,871)	(13,487)
Loss before tax		291	1,761
Income tax credit	6		
		(217,580)	(11,726)
Loss for the period from continuing operations	7		
		(217,580)	(11,726)
Discontinued operation			
Loss for the period from discontinued operation	8	–	(59,798)
		(217,580)	(71,524)
Loss for the period			
		(217,580)	(71,524)
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		478	–
Net loss on fair value changes of available-for-sale investment		(90)	–
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries		–	89,460
		388	89,460
		(217,192)	17,936
Total comprehensive (expense) income for the period			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NOTE			
	Loss for the period attributable to owners of the Company:		
	– from continuing operations	(217,578)	(11,786)
	– from discontinued operation	–	(59,798)
		(217,578)	(71,584)
	(Loss) profit for the period attributable to non-controlling interests from continuing operations	(2)	60
		(217,580)	(71,524)
	Total comprehensive (expense) income for the period attributable to:		
	Owners of the Company	(216,996)	17,876
	Non-controlling interests	(196)	60
		(217,192)	17,936
	Loss per share		(Restated)
	From continuing and discontinued operations		
	Basic and diluted loss per share (HK cents)	1.23	0.70
	From continuing operations		
	Basic and diluted loss per share (HK cents)	1.23	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	NOTES	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	4,219	5,114
Investment properties	11	20,328	21,546
Prepaid lease payments		507	698
Available-for-sale investment		820	910
		25,874	28,268
Current assets			
Financial assets at fair value through profit or loss	12	48,550	24,510
Inventories		3,628	3,523
Trade receivables	13	41,726	17,003
Other receivables, deposits and prepayments	13	16,822	5,991
Prepaid lease payments		322	336
Bank balances and cash		65,887	45,843
		176,935	97,206
Current liabilities			
Trade payables	14	14,890	8,610
Other payables and accrued charges	14	53,322	51,879
Tax payable		9,118	11,076
Obligations under finance leases – due within one year		265	315
Convertible bonds	15	–	16,150
		77,595	88,030
Net current assets		99,340	9,176
Total assets less current liabilities		125,214	37,444

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 September 2015

	NOTES	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities	6	4,297	4,698
Borrowings		60,000	60,000
Obligations under finance leases – due after one year		324	430
		64,621	65,128
Net assets (liabilities)		60,593	(27,684)
Capital and reserves			
Share capital	16	367,422	312,689
Reserves		(311,661)	(345,401)
Equity attributable to owners of the Company		55,761	(32,712)
Non-controlling interests		4,832	5,028
Total equity (deficit)		60,593	(27,684)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company												Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Investment revaluation reserve HK\$'000	Special reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Reserve Fund HK\$'000 (Note b)	Enterprise expansion reserve HK\$'000 (Note b)	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non- controlling interests HK\$'000
At 1 April 2015 (audited)	312,689	4,133,356	(1,057)	423,289	(73)	13,901	4,512	1,084	1,083	-	(4,921,496)	(32,712)	5,028	(27,684)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(217,578)	(217,578)	(2)	(217,580)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	672	-	-	-	-	672	(194)	478
Net loss on fair value changes of available-for-sale investment	-	-	-	-	(90)	-	-	-	-	-	-	(90)	-	(90)
Total comprehensive (expense) income for the period	-	-	-	-	(90)	-	672	-	-	-	(217,578)	(216,996)	(196)	(217,192)
Transaction costs attributable to issue of new shares	-	(3)	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Issue of new shares upon exercise of bonus warrants (Note 16)	10,983	98,633	216	-	-	-	-	-	-	-	-	109,832	-	109,832
Conversion of convertible bonds (Note 16)	43,750	390,371	-	(423,447)	-	-	-	-	-	-	-	10,674	-	10,674
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	-	-	184,808	-	184,808	-	184,808
Release of deferred tax liabilities upon conversion of convertible bonds	-	-	-	158	-	-	-	-	-	-	-	158	-	158
Transfer to accumulated losses upon cancellation of share options	-	-	-	-	-	-	-	-	-	(184,808)	184,808	-	-	-
	54,733	489,001	216	(423,289)	-	-	-	-	-	-	184,808	305,469	-	305,469
At 30 September 2015 (unaudited)	367,422	4,622,357	(841)	-	(163)	13,901	5,184	1,084	1,083	-	(4,954,266)	55,761	4,832	60,593

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the six months ended 30 September 2015

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Investment revaluation reserve HK\$'000	Special reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Reserve Fund HK\$'000 (Note b)	Enterprise expansion reserve HK\$'000 (Note b)	Share options HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	153,461	2,744,812	-	1,633,608	-	13,901	(84,948)	1,084	1,083	10,570	(4,579,196)	(105,625)	5,698	(99,927)
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(71,584)	(71,584)	60	(71,524)
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries	-	-	-	-	-	-	89,460	-	-	-	-	89,460	-	89,460
Total comprehensive income (expense) for the period	-	-	-	-	-	-	89,460	-	-	-	(71,584)	17,876	60	17,936
Issue of new shares under placement	8,470	67,761	-	-	-	-	-	-	-	-	-	76,231	-	76,231
Transaction costs attributable to issue of new shares	-	(2,792)	-	-	-	-	-	-	-	-	-	(2,792)	-	(2,792)
Conversion of convertible bonds	88,890	720,646	-	(792,343)	-	-	-	-	-	-	-	17,193	-	17,193
Effect arising on revision of terms of convertible bonds	-	-	-	181,510	-	-	-	-	-	-	(225,664)	(44,154)	-	(44,154)
Recognition of deferred tax liabilities upon issuance of convertible bonds	-	-	-	(2,191)	-	-	-	-	-	-	-	(2,191)	-	(2,191)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	1,225	-	1,225	-	1,225
Release of deferred tax liabilities upon conversion of convertible bonds	-	-	-	614	-	-	-	-	-	-	-	614	-	614
Release of deferred tax liabilities upon extinguishment of convertible bonds	-	-	-	61	-	-	-	-	-	-	-	61	-	61
Transfer to accumulated losses upon cancellation of share options	-	-	-	-	-	-	-	-	-	(11,739)	11,739	-	-	-
	97,360	785,615	-	(612,349)	-	-	-	-	-	(10,514)	(213,925)	46,187	-	46,187
At 30 September 2014 (unaudited)	250,821	3,530,427	-	1,021,259	-	13,901	4,512	1,084	1,083	56	(4,864,705)	(41,562)	5,758	(35,804)

Notes:

- The special reserve represented the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5 September 1997.
- Reserve fund and enterprise expansion reserve are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to a subsidiary of the Company in the PRC enterprise development purposes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
OPERATING ACTIVITIES		
Loss before tax		
– continuing operations	(217,871)	(13,487)
– discontinued operation	–	(59,798)
Adjustments for:		
Finance costs	2,111	10,274
Gain on disposal of prepaid lease payments	(36)	(410)
Loss on disposal of subsidiaries	–	51,212
Gain on alteration of terms of convertible bonds	–	(142)
Decrease in fair value of held-for-trading investments	19,980	–
Decrease (increase) in fair value of unlisted convertible bonds designated at fair value through profit or loss	4,510	(9,900)
Depreciation on property, plant and equipment	889	845
Share-based payment expense	184,808	1,225
Other non-cash items	(7)	105
Operating cash flows before movements in working capital	(5,616)	(20,076)
Acquisitions of held-for-trading investments	(68,530)	3
Increase in trade receivables	(24,429)	(9,831)
Increase (decrease) in other payables and accrued charges	3,310	(13,369)
Other working capital items	1,213	4,387
Cash used in operations	(94,052)	(38,886)
Tax paid	(1,358)	(57)
NET CASH USED IN OPERATING ACTIVITIES	(95,410)	(38,943)
INVESTING ACTIVITIES		
Net cash outflows from disposal of subsidiaries	–	(561)
Purchase of property, plant and equipment	(108)	(821)
Proceeds from redemption of financial assets designated at fair value through profit or loss	–	25,000
Proceeds from disposal of financial assets designated at fair value through profit or loss	20,000	–
Repayment from an independent third party	–	10,215
Other investing cash flows	294	857
NET CASH FROM INVESTING ACTIVITIES	20,186	34,690

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
FINANCING ACTIVITIES		
Interest paid on borrowings and convertible bonds	(8,599)	(50,903)
New borrowings raised	–	48,300
Repayment of borrowings	–	(48,979)
Repayment of obligations under finance leases	(156)	(105)
Interest paid on obligations under finance leases	(17)	(10)
Proceeds from issue of new shares	–	76,231
Proceeds on exercise of bonus warrants	109,832	–
Transaction costs attributable to issue of new shares	(3)	(2,792)
Expenses incurred in relation to the Subscriptions (as defined in note 20)	(5,869)	–
NET CASH FROM FINANCING ACTIVITIES	95,188	21,742
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,964	17,489
CASH AND CASH EQUIVALENTS AT 1 APRIL	45,843	59,102
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	80	–
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, REPRESENTED BY		
Bank balances and cash	65,887	76,591

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focusing on types of goods or services delivered or provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (i) Investments: Investment and trading of securities
- (ii) Loan financing: Provision of loan financing services
- (iii) Property investment: Holding investment properties for rental and capital appreciation
- (iv) Manufacture and sale of accessories: Manufacture and sale of accessories for photographic and electrical products

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

As the manufacture of solar grade polycrystalline operation was discontinued upon disposal of subsidiaries during preceding interim period, the segment information reported below does not include financial information in respect of the discontinued operation, which are disclosed in more detail in note 8 to the condensed consolidated financial statements.

Segment revenue and results

For the six months ended 30 September 2015 (unaudited)

Continuing operations

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue					
Sales of goods	-	-	-	73,201	73,201
Rental income	-	-	557	-	557
Decrease in fair value of unlisted convertible bonds designated at fair value through profit or loss ("FVTPL") (<i>Note a</i>)	(4,510)	-	-	-	(4,510)
Net decrease in fair value of held-for- trading investments (<i>Note b</i>)	(19,980)	-	-	-	(19,980)
	(24,490)	-	557	73,201	49,268
Segment (loss) profit	(25,320)	-	(167)	4,981	(20,506)
Unallocated corporate expenses					(195,567)
Unallocated other income					78
Unallocated finance costs					(1,876)
Loss before tax					(217,871)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 September 2014 (unaudited)

Continuing operations

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue					
Sales of goods	–	–	–	53,025	53,025
Rental income	–	–	561	–	561
Investment Income					
– interest income on loan receivable	–	3	–	–	3
Increase in fair value of unlisted convertible bonds designated at FVTPL <i>(Note a)</i>	9,900	–	–	–	9,900
	<u>9,900</u>	<u>3</u>	<u>561</u>	<u>53,025</u>	<u>63,489</u>
Segment profit (loss)	<u>8,995</u>	<u>3</u>	<u>(321)</u>	<u>1,457</u>	<u>10,134</u>
Unallocated corporate expenses					(13,722)
Unallocated other income					113
Unallocated finance costs					(10,154)
Gain on alteration of terms of convertible bonds					<u>142</u>
Loss before tax					<u>(13,487)</u>

Notes:

- Unlisted convertible bonds designated at FVTPL were categorised as level 3 under the fair value hierarchy.
- Held-for-trading investments represented equity securities listed in Hong Kong which were categorised as level 1 under the fair value hierarchy.

Segment revenue includes sales of goods, interest income on loan receivable and rental income. In addition, the CODM also considers change in fair value of financial assets at FVTPL, which includes fair value change of unlisted convertible bonds designated at FVTPL and fair value change of held-for-trading investments, as segment revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of certain other income, certain corporate expenses, gain on alteration of terms of convertible bonds and certain finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by reportable and operating segments:

As at 30 September 2015 (unaudited)

Continuing operations

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	48,550	–	20,328	51,960	120,838
Unallocated property, plant and equipment					99
Unallocated other receivables, deposits and prepayments					15,165
Available-for-sale investment					820
Bank balances and cash					65,887
Consolidated total assets					202,809

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets *(Continued)*

As at 31 March 2015 (audited)

	Investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and sale of accessories <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	24,567	–	21,546	28,349	74,462
Unallocated property, plant and equipment					117
Unallocated other receivables, deposits and prepayments					4,142
Available-for-sale investment					910
Bank balances and cash					45,843
Consolidated total assets					125,474

Geographical information

The Group's operations are located in Hong Kong and the PRC.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The Group's total revenue from sales of goods from continuing operations by geographical location are detailed below:

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
United Kingdom	19,312	1,937
Czech Republic	6,603	4,804
Germany	3,513	3,052
Hungary	3,616	4,992
Netherlands	4,183	1,151
Slovenia	3,613	3,469
Other European countries	3,064	2,874
United States of America	10,110	9,625
Hong Kong	3,089	4,381
PRC	8,686	8,102
Japan	5,545	6,174
Others	1,867	2,464
	73,201	53,025

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

4. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations		
Other income		
Bank interest income	43	107
Interest income from unlisted convertible bonds	177	295
Dividend income from available-for-sale investment	35	–
Sundry income	2,516	39
	2,771	441
Other gains and losses, net		
Gain on alteration of terms of convertible bonds	–	142
Fair value loss on investment properties (<i>Note 11</i>)	(375)	(378)
Net foreign exchange gain (loss)	77	(47)
Net reversal on allowance for doubtful debts	294	42
Gain on disposal of prepaid lease payments	36	410
	32	169

5. FINANCE COSTS

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations		
Interests on other borrowings wholly repayable within five years	1,722	1,160
Interests on other borrowings not wholly repayable within five years	–	1,504
Interests on finance leases wholly repayable within five years	17	10
Effective interest expenses on convertible bonds	372	7,490
	2,111	10,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

6. INCOME TAX CREDIT AND DEFERRED TAX LIABILITIES

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax charge for the period:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	(463)	(658)
	(463)	(658)
Overprovision in prior year:		
Hong Kong Profits Tax	689	–
Deferred tax credit for the period	65	2,419
Income tax credit for the period	291	1,761

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is calculated at 25% for both periods.

Deferred tax liabilities

The followings are the major deferred tax liabilities recognised and movements thereon during the current interim period:

	Revaluation of investment properties HK\$'000	Convertible bonds HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	(4,483)	(215)	(4,698)
Release upon conversion of convertible bonds	–	158	158
Credit to profit or loss for the period	8	57	65
Exchange realignment	178	–	178
At 30 September 2015 (unaudited)	(4,297)	–	(4,297)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Depreciation of property, plant and equipment	889	845
Amortisation of prepaid lease payments	166	170
Share-based payment expense (included in administrative expenses)	184,808	1,225

8. DISCONTINUED OPERATION

On 16 June 2014, the Group entered into a sale and purchase agreement with an independent individual ("Purchaser") (the "Agreement"). Pursuant to the Agreement, the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Sun Mass Energy Limited ("Sun Mass") and its subsidiaries (collectively referred to as "Sun Mass Group"), which carried out all of the Group's solar grade polycrystalline silicon operation. The disposal was completed on 25 June 2014, on which date the control of Sun Mass Group was passed to the Purchaser.

The loss from the discontinued operation for the preceding interim period is set out below.

	Six months ended 30 September 2014 <i>HK\$'000</i> (unaudited)
Loss from the solar grade polycrystalline silicon operation for the period	(8,586)
Loss on disposal of subsidiaries	(51,212)
	<u>(59,798)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

8. DISCONTINUED OPERATION *(Continued)*

The result of the solar grade polycrystalline silicon operation for the preceding interim period was as follows:

	Six months ended 30 September 2014 HK\$'000 (unaudited)
Other income	320
Other gains and losses	188
Administrative and other expenses	(8,984)
Finance costs	(110)
	<hr/>
Loss for the period	(8,586)
Loss on disposal of subsidiaries	(51,212)
	<hr/>
Loss for the period from discontinued operation	(59,798)
	<hr/>
Net cash outflows from operating activities	(9,642)
Net cash outflows from investing activities	(556)
Net cash outflows from financing activities	(789)
	<hr/>
	(10,987)
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9. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2015	2014 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	17,656,207,735	10,267,121,461

The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for each of six months ended 30 September 2015 and 2014 have been adjusted for the impact of share consolidation completed subsequent to the end of the reporting period as set out in note 20 to the condensed consolidated financial statements.

The calculation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options and bonus warrants (six months ended 30 September 2014: exercise of the Company's share options and conversion of the Company's convertible bonds) since their assumed conversion and exercise would result in a decrease in loss per share from the continuing operations.

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
From continuing and discontinued operations		
Loss		
Loss for the purposes of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	217,578	71,584
From continuing operations		
Loss		
Loss for the purposes of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	217,578	11,786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

10. LOSS PER SHARE (Continued)

From discontinued operation

For the six months ended 30 September 2014, basic and diluted loss per share for the discontinued operation is HK0.58 cents per share, based on the loss for the period from the discontinued operation of approximately HK\$59,798,000 and the denominators detailed above for calculating basic and diluted loss per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group incurred approximately HK\$108,000 (six months ended 30 September 2014: approximately HK\$821,000) on additions to property, plant and equipment.

The Group's investment properties as at the end of the current interim period were valued by Asset Appraisal Limited, an independent qualified professional valuer not connected to the Group. The fair values were determined based on market comparison approach assuming sales of property interest in its existing state and making references to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property as available in the relevant market. The decrease in fair value of investment properties of approximately HK\$375,000 has been recognised directly in profit or loss for the six months ended 30 September 2015 (six months ended 30 September 2014: decrease in fair value of approximately HK\$378,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Held-for-trading investments		
– equity securities listed in Hong Kong	48,550	–
Unlisted convertible bonds designated at FVTPL	–	24,510
Total	48,550	24,510

Held-for-trading investments comprise of equity securities listed in Hong Kong and their fair values are based on quoted market bid prices.

During the six months ended 30 September 2015, the unlisted convertible bonds designated at FVTPL were sold in the market at a cash consideration of HK\$20,000,000 and change in fair value of approximately HK\$4,510,000, which represented realised loss on the disposal, was recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

13. TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

The Group allows an average credit period ranging from 60 to 150 days to its trade customers from manufacture and sale of accessories business. The following is an ageing analysis of trade receivables, based on the invoice date at the end of the reporting period, net of allowances for doubtful debts:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
0 – 60 days	27,950	13,958
61 – 150 days	13,776	3,045
	41,726	17,003

Other receivables, deposits and prepayments

As at 30 September 2015, included in other receivables, deposits and prepayments are legal and professional fees of approximately HK\$11,695,000 (31 March 2015: nil) incurred in relation to, among others, issue of new shares and warrants, capital reorganisation and share consolidation subsequent to the end of the current interim period, of which approximately HK\$5,869,000 has been paid before the end of the current interim period and approximately HK\$5,826,000 has been accrued and included in "other payables and accrued charges".

14. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUED CHARGES

Trade payables

The following is an ageing analysis of trade payables, based on the invoice date at the end of the reporting period:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
0 – 60 days	14,817	8,563
61 to 150 days	23	–
Over 150 days	50	47
	14,890	8,610

The average credit period on purchase 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

14. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUED CHARGES *(Continued)*

Other payables and accrued charges

As at 30 September 2015, included in other payables and accrued charges are mainly miscellaneous tax payables of approximately HK\$41,344,000 (31 March 2015: approximately HK\$40,841,000).

15. CONVERTIBLE BONDS

In May 2015, the bondholders of the convertible bonds with the outstanding principal amount of HK\$350,000,000 fully exercised the conversion options prior to the maturity date on 31 December 2015.

The movement of the liability component of the convertible bonds during the current interim period is set out below:

	<i>HK\$'000</i>
Convertible bonds	
At 1 April 2015 (audited)	16,150
Effective interest expense	372
Interest paid	(5,848)
Converted into new ordinary shares	(10,674)
	<hr/>
At 30 September 2015 (unaudited)	–
	<hr/>

16. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015		200,000,000,000	2,000,000
		<hr/>	<hr/>
Issued and fully paid:			
At 1 April 2015 (audited)		31,268,921,605	312,689
Issue of new shares upon exercise of bonus warrants	<i>(a)</i>	1,098,324,677	10,983
Issue of new shares upon conversion of convertible bonds	<i>(b)</i>	4,375,000,000	43,750
		<hr/>	<hr/>
At 30 September 2015 (unaudited)		36,742,246,282	367,422
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

16. SHARE CAPITAL (Continued)

Notes:

- (a) During the six months ended 30 September 2015, 1,098,324,677 units of bonus warrants had been exercised by the holders thereof and 1,098,324,677 ordinary shares were issued and allotted by the Company to them. The Group received gross proceeds of approximately HK\$109,832,000 from such exercise of bonus warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. As at 30 September 2015, 4,279,599,940 (31 March 2015: 5,377,924,617) units of bonus warrants remained outstanding.
- (b) In May 2015, 4,375,000,000 ordinary shares of the Company of HK\$0.01 each were issued upon conversion of the convertible bonds with aggregate principal amount of HK\$350,000,000 into ordinary shares of the Company at a conversion price of HK\$0.08 each.

17. SHARE-BASED PAYMENTS

The following table discloses movements of the Company's share options held by directors and eligible employees during the current interim period:

2013 Option Scheme

Name of category of participant	Date of grant	Number of share options			Outstanding as at 30 September 2015	Exercise price HK\$	Share price at the date of grant HK\$
		Outstanding as at 1 April 2015	Granted during the period (Note a)	Cancelled during the period (Note b)			
Directors							
Mr. Chung Yuk Lun	22 April 2015	-	312,000,000	(312,000,000)	-	0.275	0.275
Mr. Chow Chi Wah, Vincent	22 April 2015	-	312,000,000	(312,000,000)	-	0.275	0.275
Eligible employees	22 April 2015	-	1,599,507,839	(1,599,507,839)	-	0.275	0.275
		-	2,223,507,839	(2,223,507,839)	-		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

17. SHARE-BASED PAYMENTS (Continued)

Notes:

- (a) On 22 April 2015, the Company granted share options to the directors of the Company and eligible employees of the Group (collectively referred to as the "Grantees") pursuant to the Company's 2013 Option Scheme. The share options entitle the Grantees to subscribe for a total of 2,223,507,839 new shares at an exercise price of HK\$0.275 per share with nominal value of HK\$0.01 each in the capital of the Company if the share options are exercised in full. The share options granted were vested immediately and exercisable from 22 April 2015 to 21 April 2025.

The closing price of the Company's shares immediately before 22 April 2015, the date of grant, was HK\$0.290 per share.

The fair values of the options determined at the date of grant using the binomial model were approximately HK\$184,808,000. The following assumptions were used to calculate the fair values of share options at the date of grant on 22 April 2015:

Grant date share price	HK\$0.275
Exercise price	HK\$0.275
Expected life	10 years
Expected volatility	81.445%
Dividend yield	0%
Risk-free interest rate	1.4317%

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best assessment on the valuer's estimation. Changes in variables and assumptions may result in changes in the fair value of the options.

- (b) On 22 May 2015, all Grantees agreed with the Company to cancel all share options granted to them under 2013 Option Scheme without getting any compensation in return.

18. RELATED PARTY TRANSACTIONS

The Group had entered into the following transaction with a related party:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expenses paid to the company in which a key management personnel of the Group has controlling interest		
– Mascotte Investments Limited	348	278

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There was no transfer between different levels of fair value hierarchy for the six months ended 30 September 2015.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Key input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
	30.9.2015 HK\$'000	31.3.2015 HK\$'000					
(1) Investment in unlisted convertible bonds designated at FVTPL	-	24,510	Level 3	Discounted cash flow taking into account (a) cash flows set out in the relevant agreement discounted with a discounted rate and; (b) stock price of the issuer multiplied by the number of shares to be converted	Discount rate	25.03%	The higher the discount rate, the lower the fair value
(2) Investment in listed equity securities classified as held-for-trading investment	48,550	-	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
(3) Investment in unlisted unit trusts classified as available-for-sale investment	820	910	Level 2	Quoted from financial institutions	N/A	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties for financial assets and own credit risk for financial liabilities.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values, which is included in level 3 category of fair value hierarchy.

Reconciliation of Level 3 for fair value measurements of financial assets

	Unlisted convertible bonds HK\$'000
At 1 April 2015 (audited)	24,510
Disposal	(20,000)
Change in fair value recognised in profit or loss	(4,510)
	<hr/>
At 30 September 2015 (unaudited)	–
	<hr/>

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

As disclosed in the circular of the Company dated 21 September 2015 (the "Circular"), the Company proposed to carry out, among others, (i) a capital reorganisation, (ii) issue of new shares and unlisted new warrants and (iii) a share consolidation.

The capital reorganisation involved reduction of nominal value of each issued share from par value of HK\$0.01 each to HK\$0.001 each by cancellation of the paid-up capital of the Company to the extent of HK\$0.009 on each issued share and subdivision of each of the authorised but unissued shares of HK\$0.01 each into 10 shares of par value of HK\$0.001 each (the "Capital Reorganisation"). The proposal for the Capital Reorganisation has obtained shareholder's approval at a special general meeting of the Company held on 15 October 2015 and became effective on 16 October 2015.

The issue of new shares and unlisted new warrants related to a subscription agreement entered into between, among others, the Company, Evergrande Real Estate Group Limited ("Evergrande") and Mount Yandang Investment Limited ("Mount Yandang"), a wholly-owned subsidiary of Tencent Holdings Limited ("Tencent"), on 15 June 2015 (as supplemented on 2 October 2015) (the "Subscription Agreement"). Evergrande, Mount Yandang and Tencent were independent of and not connected to the Group and/or the directors of the Company at the date of the Subscription Agreement. Pursuant to the Subscription Agreement, Evergrande and Mount Yandang agreed to subscribe for, and the Company agreed to allot and issue (i) new ordinary shares at a price of HK\$0.0061 per share which represents 75.0% of the enlarged total issued share capital of the Company immediately after the issue of the new shares and (ii) new warrants (the "New Warrants") at an aggregate nominal consideration of HK\$2, subject to the terms of the Subscription Agreement. The initial exercise price of the New Warrants is HK\$0.0061 per share, subject to adjustments. The subscription period of the New Warrants is five years from the date of issue. The completion conditions under the Subscription Agreement have been fulfilled on 26 October 2015.

As a result of the completion of the Capital Reorganisation and fulfilment of other conditions as set out in the Subscription Agreement, 80,835,141,820 new ordinary shares of HK\$0.001 each and HK\$57,418,811.1948 New Warrants were issued to a wholly-owned subsidiary of Evergrande and 29,394,597,026 new ordinary shares of HK\$0.001 each and HK\$20,879,567.7072 New Warrants were issued to a wholly-owned subsidiary of Tencent (collectively referred to as the "Subscriptions") on 26 October 2015.

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

As a result of the Share Consolidation, (i) the initial exercise price of each of the existing warrant was adjusted from HK\$0.1 per share to HK\$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the existing warrants will be adjusted accordingly and (ii) the initial exercise price of the New Warrants was adjusted from HK\$0.0061 per share to HK\$0.0122 per consolidated share and the total number of shares to be issued upon full exercise of the New Warrants (based on the adjusted exercise price of HK\$0.0122 per consolidated share) was adjusted from 12,835,799,820 shares to 6,417,899,910 consolidated shares.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results and Business Review

The Group recorded a loss for the six months ended 30 September 2015 (the "Period"). The loss attributable to shareholders of the Company ("Shareholders") for the Period amounted to approximately HK\$217.6 million, which increased by approximately HK\$146.0 million, as compared to that of approximately HK\$71.6 million for the corresponding period last year. The loss was mainly attributable to:

- (i) equity-settled share-based payments expenses of approximately HK\$184.8 million (2014: approximately HK\$1.2 million); and
- (ii) net loss in fair value of financial assets at fair value through profit or loss of approximately HK\$24.5 million (2014: net gain of approximately HK\$9.9 million).

The basic and diluted loss per share for continuing and discontinued operations was HK1.23 cents for the Period, as compared to that of HK0.70 cents (restated) in last period.

Investments

The segment recorded a loss of approximately HK\$25.3 million for the Period as compared with a gain of approximately HK\$9.0 million in the corresponding period last year. The loss for the Period was mainly attributable to a net realised loss from disposal of the unlisted convertible bonds designated at fair value through profit or loss of approximately HK\$4.5 million, a net realised loss from fair value change in held for trading investment in securities of approximately HK\$3.7 million and a net unrealised loss from fair value change in held for trading investments in securities of approximately HK\$16.3 million.

Loan financing

During the Period, no new loan was granted and therefore no interest income was generated for this segment (2014: approximately HK\$0.003 million).

Property investment

During the Period, rental income of approximately HK\$0.6 million from investment property remained unchanged when compared to the corresponding period last year.

With the decrease in fair value of investment properties as at 30 September 2015 as compared to the corresponding period last year, a fair value loss of approximately HK\$0.4 million was recognised during the Period. The decrease in fair value was mainly due to the slight decrease in the market price of the investment properties.



MANAGEMENT DISCUSSION AND ANALYSIS

Manufacture and sale of accessories

The Period saw an increase in overseas sale with the segment's turnover increasing from approximately HK\$53.0 million for the corresponding period last year to approximately HK\$73.2 million for the Period, representing an increase of approximately 38.1%. The increase was mainly due to completion of a significant order from a new customer during the Period.

Due to the relatively low margin of the above-mentioned significant order, the gross profit margin of the segment decreased from approximately 34.7% to 25.6% on average for the Period. Nevertheless, with the decrease in distribution costs and administrative expenses, the segment recorded a profit of approximately HK\$5.0 million, which increased by approximately HK\$3.5 million, from approximately HK\$1.5 million for the corresponding period last year.

PROSPECTS

Manufacturing and sales of accessories

The Group expects the performance of manufacturing and sales of accessories will remain stable in the year ahead. The single-lens reflex camera photographic market has declined but seems to have bottomed out at a stable level. The action camera accessories business is further contributing to this business and the Group is developing more accessories for respective clients in this area.

As Europe is one of our strongest markets, the Group is still wary about the effect of exchange rate effects on orders. In addition, it is not clear how the financial turmoil on the stock markets will affect the financial stability of some of our publicly listed core clientele. Nevertheless, considering the positive results achieved in the first half year, the performance of this business is expected to remain stable.

Business overview of HengTen Networks

I. Description of business

The "3+2+x" business structure of HengTen Networks comprises three fundamental segments, being property services, neighborhood social networking and life services, and two value-added segments, being Internet home and community finance as well as those segments as might be derived in the future.

With the three fundamental segments and the two value-added segments as its core, HengTen Networks continues to expand its function modules in order to comprehensively and effectively solve problems found in traditional community property management and community life. It has innovatively created a comprehensive, efficient and useful social Online-to-offline (O2O) platform and built an innovative "Internet + community" way of living.

Statistics shows that properties under management across China had a total gross floor area of over 20 billion square metres as at the end of 2014, covering 260 million households and 740 million persons, 94% of which were still to be consolidated or developed. In the next three years, it is expected that there will be additional properties with a total gross floor area of 3.5 billion square metres will become under management in China, indicating vast room for development of internet community services. In view of such a huge blue ocean market, HengTen Networks is committed to building a one-stop community O2O platform with highest traffic, best services, experiences and reputation for users in China which will make the dream of an intelligent and harmonious community come true.



MANAGEMENT DISCUSSION AND ANALYSIS

1. Innovative improvement in property services and the start of an intelligent life

HengTen Networks creatively provides solutions to solve problems in property management and realizes a high level of integration of Internet and property services.

The property services segment made a breakthrough by providing home facilities repair and maintenance, collection of property management fees and utilities fees, convenient services and information communication through multiple methods including mobile Apps, websites and Weixin public accounts, providing non-stop convenience to property owners.

Various intelligent equipment has provided property owners with a safe, healthy, convenient and comfortable living and travelling environment. “Intelligent” services in many areas such as access security monitoring, vehicle management, household health management and intelligent home management have created the start of intelligent life.

Taking “Electronic Repair” (維修 E) as an example, any property owner wishing to obtain repair service just need to click on his cellphone and responses will be provided within minutes. Experts will arrive quickly to provide on-site repair services, and payment and feedback can be made afterwards. A simple click can solve the property owner’s need through the integration of online and offline services.

2. Rebuild neighborhood social networking to actively create a close community

“A helpful neighbor is more useful than a relative far away.” Neighborhood relationship has always been one of the most important social relationship in China. However, more and more neighbors in the community have become the “most familiar strangers”. Through the neighborhood social networking segment, HengTen Networks provides neighborhood social networking products integrating online and offline services, making those “most familiar strangers” become “great neighbors”, which has significantly improved users’ stickiness to the community platform.

HengTen Networks has established a neighborhood social networking segment incorporating activity initiating, topic discussion and online communication functions by sticking to its philosophy of “weaving a close network and a warm home” and integrating unique product designs and distinct themes and elements of neighborhood social networking, which not only has created a brand new social networking platform but has also promoted the development of community culture by focusing on neighborhood cooperation.

A wide range of activities including square dancing, sharing of parenting experience, children’s day care, exchange of life skills and pet fostering can be conducted under the segment, and many business models such as carpooling, travelling companion, short-term lease of properties and community secondhand market can arise.

3. Customized life e-commerce services to enable precise marketing

China's domestic service market has a capacity of nearly RMB6,000 billion, less than 5% of which is met by deals concluded through the Internet. As mobile Internet is becoming increasingly popular, O2O local life e-commerce services will experience explosive growth. However, life e-commerce services have higher standards for operating capacity of sources, distribution and services, which can only be met by large-scale and diversified industrial groups.

Through collection and accumulation and in-depth analysis of a wide range of information on property owners, HengTen Networks is able to provide users with a customized domestic service platform.

In particular, it can provide customized domestic services in areas such as education and training, sports and health, and leisure and travelling and promotions of fresh food and specialty local products for a limited period and quantity catering to the habits of property owners.

4. One-stop Internet household platform to achieve move-in condition in a property

As at the end of 2014, the total size of China's household retail market reached RMB2.1 trillion, with a large number of brands, large shopping areas and a great variety of products.

In reality, however, it still causes headaches to countless consumers to decide what styles and patterns of household products to choose, their combination and whether the price is reasonable.

By introducing the Internet home platform, HengTen Networks aims to provide property owners with a wide range of customized home packages which can achieve move-in condition with one click and significantly reduce the time required for users in selection, purchase, delivery and installment. It also sets up an "Internet home alliance" together with leading home decoration, home appliance and household textile manufacturers in the PRC to provide users with the best and most affordable options using advantageous resources in multiple industries.

5. Innovative community financial products and services to help residents in investing and wealth management

HengTen Networks' community finance platform effectively combines Internet finance and community finance, making it the best, most trustworthy and biggest access for Internet finance to enter communities.

Through the development of various finance models, the community finance segment of HengTen Networks will make full use of the enormous resources of the Company's parent company, Evergrande Real Estate Group Limited ("**Evergrande**") of over 4 million users in more than 335 communities across more than 154 cities in the PRC in order to become an Internet finance portal incorporating and covering whole industrial chain such as property development, property management, financial services and community finance information.

HengTen Networks' community finance segment provides a wide range of finance products, consulting services and wealth management services and has become a carrier for various finance products in the communities such as insurance product promotion, crowdfunding, micro-loans, joint credit cards and one card solutions for communities.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Unique advantages

1. Advantages of Evergrande

- (1) **Size advantage:** With total assets of RMB540 billion, Evergrande is the No.1 property developer that has the biggest number of projects under development, widest presence in provincial capitals, largest areas of properties sold and land bank in the PRC. For the first half of 2015, it has a total area under construction of 41.70 million square metres, land bank of 144 million square metres and contract sales area of 11.378 million square metres, ranking No.1 in the PRC. With presence in more than 335 communities across over 154 cities in the PRC, it has properties under its management of 50 million square metres covering nearly 4 million property owners, with another 700,000 to 800,000 property owners added each year.
- (2) **Brand advantage:** According to two most authoritative and influential rankings of brands for 2015 in the PRC property sector, the Evergrande brand has been ranked No.1 in top 10 PRC property developers for six consecutive years. Winning AFC Champions League and Chinese Super League by Evergrande's football team enables Evergrande to enjoy greatest awareness and reputation and possess incomparable community user resources.
- (3) **Diversity advantage:** With Evergrande's presence in diversified industries including property development, cultural tourism, bottled water, grains and oil, dairy, health, sports, commerce, hotel, cinema and music, the community O2O platform covers all kinds of life scenarios from daily material life to spiritual life and consolidates offline resources of supply chain, distribution channels, online marketing and media communication, which will further improve the appeal of the platform.

2. Tencent's advantages

- (1) Tencent Holdings Limited ("**Tencent**"), another shareholder of HengTen Networks, is one of the biggest Internet companies in the world. Tencent is committed to developing with the Internet and providing its partners with a win-win environment through investments and innovations.
- (2) Through leading internet platforms in the PRC including instant messaging tool QQ, mobile social networking and communication service Weixin and WeChat, Internet portal QQ.com, Tencent Games and social networking platform Qzone, Tencent has built the largest Internet community in the PRC to meet the needs of Internet users in communication, social networking, information, entertainment and payment.



MANAGEMENT DISCUSSION AND ANALYSIS

- (3) For the year up to September 2015, Tencent recorded total revenue of RMB72,422 million and profit of RMB29,739 million, 860 million monthly active QQ user accounts and peak concurrent QQ user accounts of 239 million. The combined monthly active accounts of Weixin and Wechat amounted to 650 million.
- (4) Tencent's development has had a profound impact in changing the forms of communication and habits of millions of Internet users and created even vast areas of application in the PRC Internet industry.

With complementary advantages and shared resources between Evergrande and Tencent and their great influence and appeal in their respective industries, the Company believes that there will be in-depth cooperation in product planning, research and development and operation in building a groundbreaking online-to-offline community and O2O service platform.

3. *Team advantage*

HengTen Networks' O2O business team has a complete system comprising comprehensive online and offline human resources.

- (1) **Online part:** A team of capable staff in product, operation, research and development and industry cooperation functions has been established, with core members all from largest domestic and overseas Internet companies such as Tencent. Substantially all of them graduated from top universities in China and overseas. With an average age of 28 and average industry experience of 6.5 years, they possess innovative thinking, wide vision and flexible product development capability from the Internet industry, as well as high efficiency and execution ability inherited from the culture of Evergrande, and are the execution team with most complete structure and most extensive experience in the community O2O area in China.
- (2) **Offline part:** Through seamless online cooperation and connection with the most experienced property management team in the PRC in community product marketing, implementation of services and organization of services, a complete service cycle has been formed.

III. Development plans

1. *Rapid expansion of community size*

In view of the vast blue ocean community market, a strategy of pilot first, orderly expansion and efficient advancement has been developed to realize step-by-step coverage of all Evergrande communities and other communities across China. It is the Company's development target that:

- (1) By the end of 2015, HengTen Networks' community O2O products will be fully launched in the first batch of pilot communities.
- (2) The service coverage will be expanded into most of Evergrande communities in 2016.
- (3) The service coverage will be expanded into all Evergrande communities while focusing on expansion into other communities in 2017, establishing its absolute leading position in the O2O market.

2. *Increase in the number of users*

Through continuous exploration of high-frequency property needs of community residents and neighborhood social networking model adapted to local conditions, the stickiness of users to the platform will be improved, and all kinds of domestic services will be gradually further launched to realize striding development in size. It is the Company's development target that:

- (1) By the end of 2015, users in the first batch of pilot communities will be covered.
- (2) Through seed users and opinion leaders and the rapid growth of number of users as the size of communities grows, users in most of Evergrande communities will be covered by 2016.
- (3) By the end of 2017, users in all Evergrande communities and some other communities will be covered and a momentum of rapid growth will be maintained.

IV. Profit model

1. *Fundamental source of profit: improving stickiness with fundamental services*

HengTen Networks strives to build a business platform with strongest appeal and competitiveness to create source of quality and efficient profit. With its unique combination of “3+2+x” business segments and three types of fundamental services, a high-frequency service platform with high user stickiness will be created.

- (1) The property service segment is committed to responding to daily high-frequency property needs of property owners, improving the loyalty of users to its product platform and creating opportunities to provide additional services.
- (2) The neighborhood social networking segment is committed to rebuilding neighborhood relationship, forming mapping of online users to their real identities, incorporating unique functions and social networking elements to build a platform with high user activity and loyalty.
- (3) The life e-commerce service segment is committed to meeting all kinds of life and consumption needs of property owners and becoming a popular consumption platform among property owners by minimizing the process involved in between product sale and services to provide property owners with affordable high-quality products and services.

2. *Method of making profit: obtaining revenue from value-added services*

As for value-added services, two product lines with steady sources of revenue and high profit margin will be established through Internet home and community finance so that strong support will be provided for continuous investment in other business.

Pioneering in the industry, Internet home is the first to meet the needs of property owners for home decoration with an Internet home platform incorporating online and offline services. Through customized design, group purchase and shortening of the distribution process, profit can be generated sustainably to provide large cash flows. Given its unique centralized procurement advantage with its supplier alliance, there will be great room for profit.

The community finance segment builds a finance marketing and service ecosphere with strong trust, develops diversified investment and consumption products to realize sustained profitability and become a pillar segment supporting the development of the Company.

In addition, various profit models can be derived from the basic service segment once it has reached a certain size, such as the brand communication channel based on social networking, neighborhood economy including short-term community property lease, and merchants entering e-commerce platform and profit sharing, which will further expand the sources of revenue, continue to generate new products and segments, and develop future product mix into a more diversified “3+2+x” model.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through fund raising exercise, other borrowings and by its internal resources and shareholder's equity. During the Period, the liquidity of the Group was tight and the Company explored various initiatives to seek new funding and improve the debt to equity ratio by raising funding in the equity market with an aim to enhance the capital base of the Company.

Liquidity

As at 30 September 2015, the Group maintained cash and bank balances of approximately HK\$65.9 million (As at 31 March 2015: approximately HK\$45.8 million). The increase in cash and bank balances was mainly due to the proceeds from exercise of the bonus warrants.

Capital Resources – exercise of the bonus warrants during the Period

The bonus warrant issue to Shareholders on the basis of one warrant (the "Existing Warrant") 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. During the Period, 1,098,324,677 new shares had been issued and allotted upon exercise of 1,098,324,677 Existing Warrants with net proceeds of approximately HK\$109.8 million. The net proceeds of approximately HK\$36.2 million, HK\$5.8 million and HK\$17.9 million have been used for investment, the financing of the interest expenses of the convertible bonds and as general working capital, respectively.

Borrowings and Gearing Ratio

As at 30 September 2015, the Group's total equity amounted to approximately HK\$60.6 million (As at 31 March 2015: net deficit of approximately HK\$27.7 million) while total assets amounted to approximately HK\$202.8 million (As at 31 March 2015: approximately HK\$125.5 million). Net current assets were approximately HK\$99.3 million (As at 31 March 2015: approximately HK\$9.2 million) and the current ratio was 2.3 times (As at 31 March 2015: 1.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing bank and other borrowings plus convertible bonds and obligations under finance lease) over Shareholders' funds was 108.7% (As at 31 March 2015: (235.07%)).

As at 30 September 2015, the Group had no secured bank borrowings (As at 31 March 2015: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 30 September 2015, no margin facility had been utilised by the Group (As at 31 March 2015: no margin facility was granted to the Group as no listed equity securities were held by the Group).

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 30 September 2015 (As at 31 March 2015: Nil).

CURRENCY RISK MANAGEMENT

The majority of the Group's assets are denominated in Hong Kong dollars with no material foreign exchange exposure. The Group's manufacturing business also operates in overseas markets, the operation of which alone accounts for approximately HK\$61.4 million of the Group's sales turnover. In safeguarding the volatile Eurodollar currency risk, the management chose 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 Period, the Directors were of the view that the Group's exposure to exchange rate risk was not material, and would continue to monitor it.

SHARE CAPITAL

Details of movements in share capital of Company during the Period are set out in note 16 to the condensed consolidated financial statements.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividends for the six months ended 30 September 2015 (2014: 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 Period.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period.

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

As at 30 September 2015, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules governing the Listing of Securities on the Stock Exchange ("Listing Rules") as adopted by the Company, were as follows:

Interest in the Company

Name of director	Capacity	Number of shares	Derivative interests in number of shares	Total	Approximate percentage of issued share capital of the Company
Dr. Kwong Kai Sing, Benny	Beneficial Owner	8,560,000	4,480,000	13,040,000	0.03%
Mr. Frank H. Miu	Beneficial Owner	872,000	174,400	1,046,400	0.00%

Save as disclosed above, as at 30 September 2015, none of the directors, chief executives nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2015, other than the interests of the directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares – long positions

Name of shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Evergrande Real Estate Group Limited	–	90,248,061,689	90,248,061,689	Beneficial owner	245.65%
Naspers Limited	–	32,817,476,978	32,817,476,978	Interest of a controlled corporation	89.80%
Mount Yandang Investment Limited (Note 1)	–	32,817,476,978	32,817,476,978	Beneficial owner	89.80%
Ms. Mak Siu Hang Viola	4,375,000,000	–	4,375,000,000	Interest of a controlled corporation	11.97%
VMS Investment Group Limited (Note 2)	4,375,000,000	–	4,375,000,000	Beneficial owner	11.97%
HEC Capital Limited	4,334,680,426	7	4,334,680,433	Interest of a controlled corporation	11.86%
Murtsa Capital Management Limited (Note 3)	4,334,680,422	–	4,334,680,422	Beneficial owner	11.86%
Mr. Ou Yaping	2,556,220,000	200,000,000	2,756,220,000	Interest of a controlled corporation	7.66%
Kenson Investment Limited (Note 4)	2,556,220,000	200,000,000	2,756,220,000	Beneficial owner	7.66%
Freeman Financial Corporation Limited	2,358,656,694	–	2,358,656,694	Interest of a controlled corporation	6.53%
Smart Jump Corporation (Note 5)	2,358,656,694	–	2,358,656,694	Beneficial owner	6.53%

Notes

- (1) Mount Yandang Investment Limited is an indirect non-wholly-owned subsidiary of Naspers Limited.
- (2) VMS Investment Group Limited is indirectly wholly-owned by Ms. Mak Siu Hang Viola.
- (3) Murtsa Capital Management Limited is an indirectly wholly-owned subsidiary of HEC Capital Limited; 4 shares and 7 warrants are directly held by HEC Securities Limited which is an indirect wholly-owned subsidiary of HEC Capital Limited.
- (4) Kenson Investment Limited is indirectly non-wholly-owned by Mr. Ou Yaping.
- (5) Smart Jump Corporation is an indirect wholly-owned subsidiary of Freeman Financial Corporation Limited.

Save as disclosed above, as at 30 September 2015, the Company had not been notified by any person (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.



MANAGEMENT DISCUSSION AND ANALYSIS

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 Period, 2,223,507,839 options had been granted to the Directors or employees of the Company (the "Grantees") on 22 April 2015 and all these 2,223,507,839 options had been surrendered by the Grantees and had thus been cancelled on 22 May 2015. As at 30 September 2015, there was no outstanding share option of the Company (As at 31 March 2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group employed approximately 314 employees, around 85.0% of them were employed in the People's Republic of China for the manufacturing business of the Group. 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 six months ended 30 September 2015, including Directors' emoluments, amounted to approximately HK\$205.1 million.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Please refer to note 20 to the condensed consolidated financial statements of the Group in this report.

AUDIT COMMITTEE

The Audit Committee is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board. The Audit Committee comprises three independent non-executive directors ("INED(s)") of the Company, namely Mr. Chau Shing Yim, David (as the chairman of the Audit Committee), Mr. Nie Zhixin and Mr. Chen Haiquan. The revised terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules. No changes were made to the terms of reference of the Audit Committee during the Period.

The interim financial information of the Company for the six months ended 30 September 2015 has been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, legal and compliance and discussed 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 September 2015.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2015 has been reviewed by Deloitte Touche Tohmatsu 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.



MANAGEMENT DISCUSSION AND ANALYSIS

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises two INEDs, namely Mr. Chau Shing Yim, David (as the chairman of the Remuneration Committee) and Mr. Nie Zhixin and one executive director, namely Mr. Peng Jianjun. The primary duties of the Remuneration Committee are to review and determine of the remuneration policy and packages of the directors and senior management. No director is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

A Nomination Committee has been established in accordance with the requirements of the Code. The nomination Committee comprises two INEDs, namely Mr. Nie Zhixin and Mr. Chen Haiquan and one executive director, namely Mr. Peng Jianjun (as the chairman of the Nomination Committee). The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and select and make recommendations to the Board on the appointment of directors and senior management.

CORPORATE GOVERNANCE

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. The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code") during the six months ended 30 September 2015 except for the following deviations from the Code provision:

- 1) 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 Period, Mr. Chung Yuk Lun acted as the Company's Acting Chairman from 1 April 2015 to 30 April 2015 and was re-designated and acted as the Chairman from 1 May 2015 to 30 September 2015. The Company has no such title as chief executive officer but the daily operation and management of the Company were monitored by Mr. Chung Yuk Lun, an executive Director, who is also the Acting Chairman of the Company. Since the appointment of Dr. Kwong Kai Sing, Benny as the managing director of the Company on 1 May 2015, the daily operation and management of the Company have been monitored by the managing director of the Company during the Period.
- 2) Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and be subject to re-election. All of the non-executive Directors during the Period are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to bye-law 87(1) of the Company's Bye-laws, each Director shall be subject to retirement by rotation at least once every three years at an annual general meeting of the Company. This means that the terms of appointment of the Directors, including independent non-executive Directors, cannot exceed three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.



MANAGEMENT DISCUSSION AND ANALYSIS

- 3) Code Provision D.1.4 sets out that issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not issue formal letters of appointment for all Directors during the Period. All of the Directors during the Period were, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. The Directors considered that this met the objective of the Code Provision D.1.4.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code 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 six months ended 30 September 2015.

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.

By Order of the Board
HengTen Networks Group Limited

Peng Jianjun
Chairman

Hong Kong, 27 November 2015