恒腾网络集团
hengten networks group

HENGTEN NETWORKS GROUP LIMITED
恒 騰 網 絡 集 團 有 限 公 司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Set out below is the corporate information of HengTen Networks Group Limited as at the date of this report (i.e. 21 March 2019):

DIRECTORS

Executive Directors

Mr. Xu Wen *(Chairman)*
Mr. Liu Yongzhuo
Mr. Huang Xiangui
Mr. Zhuo Yueqiang

Independent Non-executive Directors

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

Audit Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Nie Zhixin
Mr. Chen Haiquan

Remuneration Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Xu Wen
Mr. Nie Zhixin

Nomination Committee

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

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS

Bermuda

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

Hong Kong

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

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

WEBSITE ADDRESS

http://www.htmimi.com

DATE OF REPORT

21 March 2019

Dear Shareholders,

I am pleased to present the results of HengTen Networks Group Limited (the "**Company**" or "**HengTen Networks**") and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**").

BUSINESS REVIEW

Internet Community and Related Businesses

In 2018, the Group conducted its internet community and related businesses in the communities across China, and its revenue increased from RMB193.0 million for the year ended 31 December 2017 to RMB425.8 million for the year ended 31 December 2018, which include, revenue from internet home furnishing sector of RMB231.5 million, revenue from internet materials logistics business sector and other sectors of RMB194.3 million.

The cost of internet community and related businesses mainly represented labour costs, depreciation and amortisation, and material procurement costs. Gross profit margin of such segment and segment profit were 78.4% and RMB154.0 million, respectively.

(I) Business Development

During 2018, the economy of China has on the whole maintained stability while making steady progress with a year-on-year growth of 6.6% in its GDP, fulfilling the expected development goal of around 6.5% and showing that our country's total economic capacity has reached a new level. In the meantime, the Chinese government keeps on deepening its supply-side structural reform, comprehensively promoting "Internet +", and continuously transforming traditional industries with new technologies and new models, which contributes to a steady unleash of the dynamism of the economy.

The fast development of the Chinese economy and society and the favourable policies have provided the Group with a good environment for development. Our two substantial shareholders have also empowered the Group's development. China Evergrande Group ("**China Evergrande**") (3333.HK) is one of the Fortune 500 enterprises with properties for the people as its core foundation and has more than 800 projects in over 280 cities across China. Tencent Holdings Limited ("**Tencent Holdings**") (0700.HK) is an internet-based technology and cultural enterprise. At the end of the third quarter of 2018, the total number of monthly active accounts of Weixin, WeChat and QQ of Tencent Holdings reached almost 1.9 billion.

Benefiting from the general environment of rapid growth of the PRC economy and favourable policies, as well as the strong support from our two substantial shareholders, the Group not only has continuously optimized its business structure but also steadily enhanced its quality and efficiency in 2018. The Group insists on using the platform operation thinking to develop as an integrated internet service operator. It takes serving users as its core work and empowering industries as its direction to coordinate and promote the joint development of its 3 core businesses, namely the internet community services business, internet home furnishing business and internet materials logistics business.

1. *Internet Community Services*

In 2018, the Group continued to rely on its internet community service platform, HengTen Mimi, to provide property service platform support for the China Evergrande Community.

For the HengTen Mimi App which serves property owners, the Group optimised its functions such as property service fee payment, property repair request and owners' voices. For the Mimi Housekeeper App which serves property management companies, the Group improved its functions including repair management, affair management and payment record search.

2. *Internet Home Furnishing*

The Group's internet home furnishing business is centered on consumers, and the Group is committed to satisfying the consumers' demands for a beautiful home life through creating physical scene experience in the sample rooms. For the year ended 31 December 2018, the Group operated internet home furnishing business at nearly 362 projects in 171 cities across China. During the reporting period, the Group provided furnishing design and sales plans to over 80,000 community property owners with sales floating through our platform of RMB2,006.3 million and recognised revenue of RMB231.5 million (2017: RMB145.8 million).

(1) Realization of standardized and large-scale operation

Relying on the mature O2O business model of "display on online shopping mall platform and experience at offline physical scenes", the Group continuously achieved standardized operating results and realized large-scale operation with the support of the comprehensive online and offline marketing system. In 2018, the Group opened a total of nearly 3,500 offline experience sample rooms and accelerated the transformation from selling single products to selling scenario lifestyle.

(2) Optimization of product and service system

Our product system was increasingly diversified. While the Group continued on expanding the categories of products such as customized furniture, home appliances, balcony textile art products and other decorations and furnishings, we further diversified categories such as soft decorations, decoration projects and kitchen supplies, in order to meet the diversified needs of property owners.

Our brand management was further intensified. In 2018, the Group deepened its cooperation with 28 leading brands in the "Home Furnishing Alliance" to satisfy consumers' demands for high quality products and services, under the general background of consumption upgrading. In the meantime, the Group continued to optimize the partner rating system, to conduct comprehensive appraisals upon the products and services provided by the suppliers and only selected those qualified which based on strict assessment criteria.

Our service quality has kept on improving. The Group strived to improve the customers' experience in home marketing, logistics and distribution, installation and aftersales and to build a standardized service process centering around users. At the same time, the Group portrayed a typical home user from multiple dimensions including age, academic background, family and consumption budgets to improve the matching between consumer needs and products and services provided and in order to improve the efficiency of provision of services.

Services were provided in more diversified forms. In response to the trend of consumption using installment payment, the Group launched installment payment services for home furnishing consumption around different customer consumption scenarios and consumption demands.

(3) Exploration of B2B business

In order to raise our home furnishing business to a new level, the Group has started to explore opportunities in B2B business and carry out research and development of integrated solutions for the design and supply of soft decoration for apartments and houses, so as to promote the B2B business to gradually achieve the target of standardized and large-scale development.

3. Internet Materials Logistics

In active response to the national policy call for high-quality decoration, the Group's internet materials logistics business is committed to providing premium high-quality construction material supply chain service. During the Year, the Group's internet materials logistics business recorded a gross merchandise volume[(Note)] of RMB1,037.4 million and a revenue of RMB181.7 million (2017: RMB36.7 million).

(1) Deep consolidation of high-quality resources in the construction materials industry

Leveraging on China Evergrande's 22-year mature supply chain system of high-quality decorations, the Group effectively utilised its use of extensive resources of China Evergrande including over 20 strategic partners for high-quality decoration and more than 200 material suppliers in the PRC. On the other hand, the Group also followed the improved supply chain management system of China Evergrande, including a national quality inspection system and a strict technical standard management system and a dynamic supplier assessment and management system.

(2) To provide high cost-effective products and services

In terms of price, the Group took advantage of the centralized procurement of China Evergrande to share the procurement price of first-tier real estate enterprises with our customers, which significantly reduced the overall procurement costs of customers of the Group.

In terms of services, the Group had built an online mall that specialized in building materials, and constantly improved and optimized functions and services of the online mall, so as to foster a simple, transparent, safe and efficient trading environment and to improve customer procurement efficiency. The Group managed and coordinated the entire process of the supply chain, provided professional supporting procurement services, and strived to offer our customers effective procurement, authentic products guarantee, accurate delivery and other high-standard services enjoyed by first-tier real estate enterprises.

Note: Gross merchandise volume represents total value of all orders for products and services placed on our online sales platform.

In terms of product range, the Group continued to expand its brand resources and had established a diversified brand portfolio which is competent to meet the various brand demands from different users; at the same time, the Group continued to replenish product category and specification to gradually cover the main categories of building materials products widely used in high-quality decoration industry.

In terms of quality, the Group engaged construction materials suppliers with strong qualifications to ensure the authenticity of product and the reliability and stability of product quality.

(3) To gradually optimize our service system

In 2018, the Group had established warehouse and logistic centers in five major regions including Tianjin, Foshan, Changshu, Wuhan and Chengdu, covering multiple regions in the North China, the South China, the East China, the Central China and the Southwest China. The Group also selected and developed local operators across the country, to provide distribution, installation and post-sales services to our end-users.

Manufacture and sales of accessories

The segment's revenue increased from RMB66.7 million during 2017 to approximately RMB73.6 million in 2018, representing an increase of 10.3%. It was mainly due to an increase in sales orders.

The gross profit margin of this segment dropped from 36.0% in 2017 to 32.1% in 2018, mainly due to more competition in 2018 from the market. In addition, with the decrease in general and administrative expenses and the reversal of provisions, the segment profit increased from RMB3.0 million for the year ended 31 December 2017 to RMB6.6 million for the year ended 31 December 2018.

Investments

During the Year, the Company sold all of the financial assets at fair value through profit or loss at net loss of RMB7.4 million.

Loan financing

During the Year, no new loan was granted and therefore no interest income was generated from this segment (as of 31 December 2017: nil).

Property investment

As of 31 December 2018, no rental income was generated.

With the increase in fair value of investment properties as at 31 December 2018 as compared with 31 December 2017, a fair value gain of approximately RMB0.2 million was recognized during the year ended 31 December 2018. The increase in fair value was mainly due to the increase in the market price of the investment properties.

BUSINESS OUTLOOK

Internet Community and Related Businesses

Looking forward, the Group will strive to achieve a higher level of development while maintaining the stability and continuity of its business strategy.

In terms of internet community services, the Group will continue to rely on China Evergrande's community resources to provide the better property service platform.

In the internet home furnishing business, relying on its mature home operation and service system, the Group will continue to carry out refined operation of its property delivery scenes, orderly expand the target user base, and firmly promote the standardized and large-scale operation of home furnishing business. The Group will continue to enrich the house product system, gradually expand the scope of partner brands for the "Home Alliance", and strive to improve the level of service. In the future, the Group will constantly meet the demand for improvement and personality of subgroups while meeting the upgraded consumption needs of most people. Besides, the Group will consolidate its advantageous resources to provide products, services and brands, gradually expand its B2B business model and continue to explore more home furnishing business scenes.

In the area of internet materials logistics, the Group will further strengthen the ability of resource integration, constantly enrich the categories and brands of building material products, and establish a better quality construction material procurement platform. The Group plans to further improve the construction material supply chain services to realize steady supply and fast delivery of construction material products. In addition, the Group will also continue to optimize business cooperation processes, improve the mode of cargo flow, and enhance the efficiency of supply chain operation. Meanwhile, the Group will improve the local operators system, continue to improve the efficiency of offline distribution, installation and aftersale services, in order to provide better quality construction material supply chain services.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

I would like to take this opportunity to thank our shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the year ended 31 December 2018.

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

Hong Kong, 21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the Year, the revenue of the Group amounted to RMB499.4 million, representing an increase of 90.8% as compared with the revenue of RMB261.8 million for the year ended 31 December 2017. Such increase in revenue was mainly due to a substantial increase in revenue from internet community and related businesses.

The gross profit of the Group amounted to RMB357.6 million during the Year, representing an increase of 96.1% as compared with that of RMB182.4 million for the year ended 31 December 2017. The gross profit margin increased to 71.6% for the Year from 69.7% for the year ended 31 December 2017. Such increases were mainly due to the increase in total profit brought by increased business volume of internet community and related businesses.

Selling and marketing expenses increased to RMB93.9 million during the Year from RMB14.3 million in 2017, representing an increase of 555.6%, which was mainly due to the increase in rental of new warehouses in preparation for future business development.

Administrative expenses increased to RMB116.9 million during the Year from RMB51.3 million of last year, representing an increase of 127.6%. With the expansion of the Company's business, salary for management staff and other administrative expenses largely increased. Moreover, additional expenditures were put into exploring the feasibility of smart community systems.

Financial income increased to RMB14.0 million during the Year from RMB1.2 million in 2017, representing an increase of 1,037.7%, which was mainly due to higher interest income from fixed deposits in 2018.

Income tax expenses decreased to RMB20.9 million during the Year from RMB31.0 million in 2017, representing a decrease of 32.8%. Such decrease was mainly due to the high-tech enterprise qualification obtained by a PRC subsidiary, which allows the internet community and related businesses to enjoy preferential tax rates.

The Group recorded a profit attributable to owners of the Company of approximately RMB124.5 million during the Year, which increased by approximately RMB28.3 million or 29.4% as compared with the profit of approximately RMB96.2 million for the year ended 31 December 2017.

The basic and diluted earnings per share were RMB0.1545 fen and RMB0.1499 fen during the Year respectively, as compared to the basic and diluted earnings per share of RMB0.1185 fen and RMB0.1172 fen for the year ended 31 December 2017 respectively.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the year ended 31 December 2018, the liquidity of the Group was closely monitored by the board of director of the Company (the "**Board**") and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 December 2018, the Group maintained cash and bank balance of approximately RMB1,227.2 million (as at 31 December 2017: approximately RMB901.2 million). The increase in cash and bank balance was mainly due to the advanced receipt from the provision of the "new properties with move-in condition" service in the internet community services segment.

Borrowings and Gearing Ratio

As at 31 December 2018, the Group's net equity amounted to approximately RMB1,042.6 million (as at 31 December 2017: approximately RMB881.1 million) with total assets amounted to approximately RMB1,432.0 million (as at 31 December 2017: approximately RMB1,205.8 million). Net current assets were approximately RMB1,040.1 million (as at 31 December 2017: approximately RMB882.0 million) and the current ratio was 4.1 times (as at 31 December 2017: 4.3 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings plus obligations under finance lease) over shareholders' funds was 5.1% (as at 31 December 2017: 5.8%).

COMMITMENT

As at 31 December 2018, the Group had capital commitment of approximately RMB31,000 mainly for the system development and purchase of technology equipment in relation to the internet community service online platform (as at 31 December 2017: approximately RMB3.1 million).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("**RMB**") as at 31 December 2018. The internet community service business is mainly carried out in RMB in the PRC. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the year ended 31 December 2018, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

CHARGE OF ASSETS

During the Year, the Group did not have any charges on assets (as at 31 December 2017, margin facilities of approximately RMB20.3 million from one regulated securities broker were granted to the Group under which financial assets at fair value through profit or loss of approximately RMB53.0 million were treated as collateral for the facilities granted.)

CONTINGENT LIABILITIES

The Company and the Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2018 (as at 31 December 2017: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed approximately 448 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage and mandatory provident fund, etc.. Total staff costs for the year ended 31 December 2018, including directors' emoluments, amounted to approximately RMB172.9 million (2017: RMB 61.6 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (for the year ended 31 December 2017: nil).

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2018, there was no material acquisition and disposal.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries principally engage in the internet community and related businesses, the business of investment and trading of securities, provision of loan financing, property investment, manufacturing and sales of accessories for photographic and electrical products.

BUSINESS REVIEW

A review of the Group's business during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company which occurred during the year ended 31 December 2018 are provided in the section headed "Chairman's Statement", the section headed "Management Discussion and Analysis" of this annual report and note 3 to the consolidated financial statements.

The Group manages environmental and social issues that affect the Group and on which the Group can have an impact. All activities of the Group must comply with the laws and regulations in the jurisdictions in which it operates in relation to emissions, use of resources and environmental protection. The Group reduces the consumption of energy and other resources, reduces wastes and protects natural resources. The Group implements separate collection and disposal of the non-hazardous wastes and few ink boxes and toner cartridges generated during its operation process and is committed to minimizing the impacts of its operation on the natural environment during the operation. The Group actively guides employees to implement the concept of green environmental protection in their daily work. Based on business characteristics and relying on the carrier of the network platform, the Group gradually delivers green environmental protection information to owners and customers in a timely manner to help improve the public's awareness and attention to environmental protection.

Also, the Group has actively managed and monitored the risk to protect and help the business development of the Group. The Group considered that the relationship with its customers has a relatively significant impact on the Group. The information about the Group's major customers, risk associated with reliance on those major customers and measures to mitigate such risk are disclosed in note 3.1 and note 13 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group during the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on pages 81 and 82 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year ended 31 December 2018 are set out in notes 17 and 18 to the consolidated financial statements respectively.

SHARE OPTIONS

The Company's 2013 share option scheme (the "**2013 Option Scheme**"), was adopted pursuant to a resolution passed on 31 October 2013, for the primary purpose of providing incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity and which will expire 10 years after the date of adoption. Under the 2013 Option Scheme, the board of directors of the Company may, at its discretion, grant options to supplier, customer, person or entity that provides research, development or technological support or other services to the Group or any invested entity, shareholder or any member of the Group or any invested entity, holder of any securities issued by any member of the Group or invested entity and employee, including executive and non-executive directors of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company at a price of (i) the closing price of the shares on the Hong Kong Stock Exchange on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the higher.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Option Scheme and any other schemes shall not exceed 30% of the total number of the issued share of the Company from time to time. The number of shares which may be issued upon exercise of all share options to be granted under the 2013 Option Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit was approved by shareholders of the Company.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the validity period of the options.

There is no vesting period or market or non-market performance condition for the 2013 Option Scheme. The expiry date of the option is 10 years after the grant.

No share option was granted during the year ended 31 December 2018 and there was no outstanding share option of the Company as at 31 December 2018.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's investment properties and property, plant and equipment during the year ended 31 December 2018 are set out in notes 9 and 6 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve was as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Contributed surplus	**63,481**	63,481
Accumulated losses	**(3,817,635)**	(3,813,904)
	(3,754,154)	(3,750,423)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year ended 31 December 2018 and up to the date of this report were as follows:

Executive Directors:

Mr. Xu Wen (Chairman)

Mr. Liu Yongzhuo

Mr. Huang Xiangui

Mr. Zhuo Yueqiang

Independent Non-executive Directors:

Mr. Chau Shing Yim, David

Mr. Nie Zhixin

Mr. Chen Haiquan

Professor Shi Zhuomin

Pursuant to bye-law 87 of the Company's Bye-laws, each of Mr. Huang Xiangui, Mr. Zhuo Yueqiang and Professor Shi Zhuomin will retire from office by rotation at the forthcoming annual general meeting (the "**AGM**") and, being eligible, offer himself for re-election at the forthcoming AGM.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the year ended 31 December 2018.

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

As at 31 December 2018, the interest and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as adopted by the Company, was as follows:

Long positions in shares of China Evergrande Group:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Chau Shing Yim David	Beneficial owner	1,000,000	0.01

Save as disclosed above, as at 31 December 2018, none of the Directors, the chief executives of the Company 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the year ended 31 December 2018.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2018, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares – long positions:

Name of shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
China Evergrande Group	40,417,570,910	4,706,459,934	45,124,030,844	Interest of a controlled corporation	60.47%
Solution Key Holdings Limited *(Note 1)*	40,417,570,910	4,706,459,934	45,124,030,844	Beneficial owner	60.47%
Tencent Holdings Limited	14,697,298,513	1,711,439,976	16,408,738,489	Interest of a controlled corporation	21.99%
Water Lily Investment Limited *(Note 2)*	14,697,298,513	1,711,439,976	16,408,738,489	Beneficial owner	21.99%

Note:

(1) Solution Key Holdings Limited is an indirect wholly-owned subsidiary of China Evergrande Group.

(2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any person who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 5.7% and 27.1% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 40.2% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 10.1% of the Group's total purchases.

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

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the year ended 31 December 2018.

STRUCTURED CONTRACTS

Background

As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the three principal businesses of the Group are internet community services, internet home furnishing and internet materials logistics. The Company (1) provides internet community services including collection of property management fees, property repair and maintenance, owners' voices and other services through the HengTen Mimi APP; and (2) carries out internet home furnishing business and internet materials logistics business, which involves value-added telecommunication services such as e-commerce business (the "**Restricted Business**"). As the Company is a company incorporated in Bermuda, it is classified as a foreign enterprise under the PRC laws, rules and regulations.

On 11 December 2001, the State Council adopted the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (as amended on 10 September 2008 and amended for the second time on 6 February 2016, the "**FITE Regulations**"). Article 6 of the FITE Regulations provided that foreign ownership of foreign-invested telecommunication enterprises operating value-added telecommunication businesses cannot exceed 50%. At the same time, Article 10 of the FITE Regulations further provides that foreign investors in a foreign-invested telecommunication enterprise engaging in value-added telecommunication businesses shall have a good business record and experience in operating value-added telecommunication business (the "**Qualification Requirement**").

On 19 June 2015, Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business ("**Circular No. 196**") was issued by the PRC Ministry of Industry and Information Technology, which allows foreign ownership in enterprises operating in certain categories of e-commerce business to up to 100%, but the foreign shareholder shall still be subject to other conditions and requirement for foreign investment, including the Qualification Requirement under the FITE Regulations.

We have been advised by our PRC legal counsel that after enquiring with the relevant telecommunications administration, the Company's business operations fall under the "online data and transaction processing business" (B21) (the "**Online Data and Transaction Processing Business**") and "information services business" (B25) (the "**Information Services Business**") in the second category of value-added telecommunication businesses in the Classification Catalogue of Telecommunication Services (2015 version, effective from 1 March 2016) (the "**Catalogue**").

Accordingly, our PRC legal counsel advised that currently, the Online Data and Transaction Processing Business can be owned by foreign investor of up to 100%. However, the foreign investor must meet the Qualification Requirement. The Information Services Business can only be owned by foreign investor of up to 50% and the foreign investor must meet the Qualification Requirement.

As the current foreign shareholders of the WFOE (as defined below) do not meet the Qualification Requirement, irrespective of which category the WFOE's business is treated to be under, there may still be substantial legal impediments for the WFOE to directly apply for the relevant e-commerce operation licenses and permits.

As a result, the Restricted Business of the Group is carried out by Shenzhen HengTen Networks Company Limited ("**OPCO**",深圳市恒騰網絡有限公司) under the Structured Contracts with Shenzhen HengTen Networks Services Company Limited ("**WFOE**",深圳市恒騰網絡服務有限公司), a wholly-owned subsidiary of the Company. The Structured Contracts are detailed below under the paragraph headed "The Structured Contracts".

The Company agrees that it would unwind the Structured Contracts as soon as the relevant laws and regulations allow foreign investors to own the entire equity interest of the OPCO.

We have been advised by our PRC legal counsel that the Structured Contracts do not contravene the PRC laws, rules and regulations, including those applicable to the WFOE and the OPCO.

The OPCO is 55% owned by Ms. Deng Miaojing ("**Ms. Deng**") and 45% owned by Ms. Yu Siyu ("**Ms. Yu**", together with Ms. Deng, the "**OPCO Shareholders**").

The product of the Group's internet services are currently in the forms of HengTen Mimi APP, the online internet home and e-commerce platform-HTmehome and the online e-commerce platform-HT materials e-mall. As disclosed in the sub-section headed "Business Review" under the section headed "Chairman's Statement" in this report, the Group's three major business sectors, being internet community services, internet home furnishing and internet materials logistics, picked up a strong momentum in 2018. The Restricted Business of the Group needs to be operated by the OPCO in order to obtain registered user and traffic growth, so as to acquire core user base and platform for commencing the Group's business. Looking forward to the near future, the Group expects the Group's three major business sectors, being internet community services, internet home furnishing and internet materials logistics, to grow and accordingly, it is expected that the abovementioned three major business sectors of the Group will become the principal businesses of the Group in the future. As the Restricted Business is a material component of the abovementioned three major business sectors of the Group, the performance of which is expected to become material to the overall performance of the Group in the future.

The OPCO conducts its business through PC websites or mobile Apps of which it owns or is authorised to operate. The business which OPCO operates includes publishing advertisement information to internet users, online orders, online payments, activating third party payment and other online application services, and such types of businesses relate to the Information Services Business. Furthermore, OPCO also provides platform services through its PC websites or mobile Apps allowing third party vendors of goods or services to set up online virtual shops, and such types of businesses relate to the Online Data and Transaction Processing Business.

The Group's total revenue for the year ended 31 December 2018 contributed by OPCO under the Structured Contracts amounted to approximately RMB194 million (RMB193,826,331), representing approximately 39% of the Group's total revenue for the year ended 31 December 2018, and the total assets of OPCO as at 31 December 2018 were approximately RMB463 million (RMB462,640,467), representing approximately 32% of the total assets of the Group as at 31 December 2018.

The Structured Contracts

The Structured Contracts are designed to enable the Group to recognise and receive the economic benefit of the business and operations of the OPCO together with effective control over and (to the extent permitted by PRC laws, rules and regulations) the right to purchase the equity interests in and/or assets of the OPCO.

(1) Exclusive Management Consultancy Service Agreement

Pursuant to the Exclusive Management Consultancy Service Agreement dated 1 April 2016 between WFOE and OPCO, among other things, WFOE agreed to provide the relevant technological support and management consultancy services, consultancy on procurement of software and hardware, staff training and support, development and marketing of various platforms, industry consultancy and product development and business partners and market information to OPCO as OPCO's exclusive service provider; and is entitled to receive service fees at a range of 90% to 100% of the total monthly operating profit of OPCO. Except as otherwise agreed, the OPCO shall not accept the same range of service provided by any third parties in the effective period of the agreement.

(2) Business Management Agreement

Pursuant to the Business Management Agreement dated 1 April 2016 between WFOE, OPCO and OPCO Shareholders, among other things,

- OPCO Shareholders agreed to procure OPCO not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, or company management, unless with prior written consent from WFOE or any third party designated by WFOE;
- OPCO and OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc.; and
- each of OPCO Shareholders agreed to, upon receiving any dividend or any other earnings or income from OPCO as its shareholder, immediately and unconditionally pay or transfer all such earnings or income to WFOE at nil consideration.

(3) *Call Option Agreement*

Pursuant to the Call Option Agreement dated 1 April 2016 between WFOE, OPCO and OPCO Shareholders, OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to, as and when permitted by applicable PRC laws, rules and regulations, purchase all or any part of the equity interests in OPCO held by OPCO Shareholders for a consideration of RMB10,000, or when appraisal is required under PRC laws, rules and regulations, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws, rules and regulations.

(4) *Equity Pledge Agreement*

Pursuant to the Equity Pledge Agreement dated 1 April 2016 between WFOE and OPCO Shareholders, OPCO Shareholders pledged the entire equity interests in OPCO to WFOE as security for the performance of the obligations under the Exclusive Management Consultancy Service Agreement, Business Management Agreement and Call Option Agreement. The filing procedures of the equity pledge were completed on 15 April 2016.

(5) *Powers of Attorney*

Pursuant to the Powers of Attorney dated 1 April 2016 executed by each of OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to, among other things, exercise all rights of OPCO Shareholders, including but not limited to the rights to vote in a shareholders' meeting, appoint directors and other senior executives, sign minutes, file documents with the relevant companies registry, and sell, transfer, pledge or deal in the equity interest held by OPCO Shareholders.

(6) *Undertakings*

Pursuant to the Undertakings dated 1 April 2016 executed by Ms. Deng and Ms. Yu (being the OPCO Shareholders) respectively,

- any successor to her shall hold the respective equity interest in OPCO subject to the conditions, requirements and obligations under the Undertaking and the Structured Contracts;
- her respective equity interest in OPCO does not form part of the community property, and her decisions in relation to OPCO shall not be affected by her spouse;
- she will neither, directly or indirectly (either on her own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between herself and WFOE;
- in the event that she receives any asset in relation to the liquidation of OPCO, she agrees to transfer to WFOE such assets at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations; and
- in the event that she receives any amount from WFOE or any third party in relation to the exercise of the call option under the Call Option Agreement, she agrees to unconditionally return all such amount to WFOE or any third party designated by WFOE.

Pursuant to the Undertaking dated 1 April 2016 executed by Mr. Li Yueqi, Ms. Deng's spouse,

- the equity interest in OPCO held by Ms. Deng does not form part of the community property; and
- any income arising in relation to such equity interest in OPCO shall be solely owned and disposed by Ms. Deng and he will neither claim any rights to such income, nor participate in the management of the business operation of OPCO.

As advised by our PRC legal counsel, appropriate provisions have been incorporated in the Structured Contracts to protect WFOE's interests in the event of death, bankruptcy or divorce of the OPCO Shareholders of its equity interest in OPCO to avoid any practical difficulties in enforcing the Structured Contracts. The Structured Contracts encompass certain provisions setting out that the respective contracts shall be legally binding on the legal assignees or successors of the parties thereto.

We have also implemented measures to protect against the potential conflicts of interest between the Group and the OPCO Shareholders. Pursuant to the Business Management Agreement, the OPCO and OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc. Under the Call Option Agreement, the OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to purchase all or any part of the equity interests in OPCO as and when permitted by applicable PRC laws, rules and regulations. Furthermore, under the Powers of Attorney executed by the OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to exercise the shareholders' rights in OPCO on behalf of the OPCO Shareholders. As a result, we have minimised the OPCO Shareholders' influence on the business operations of OPCO.

The entering into of the Structured Contracts did not constitute any notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules, nor any connected transaction of the Company under Chapter 14A of the Listing Rules as, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the OPCO Shareholders and the OPCO were not connected persons of the Company.

The risks associated with the Structured Contracts and the actions taken by the Company to mitigate the risks (where applicable)

Business risks and financial risks borne by the Group as the primary beneficiary of OPCO

As the primary beneficiary of OPCO, the Group is exposed to the business risks and financial risks faced by OPCO. Any profit or loss of the OPCO will be reflected in the consolidated financial results of the Group.

The OPCO is now in the process of applying for the relevant e-commerce operation licenses and permits. If the OPCO fails to obtain the requisite licenses and approvals to operate the Restricted Business in the PRC, the Group's internet business may be adversely affected.

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

As advised by our PRC legal counsel, the Structured Contracts do not contravene the PRC laws, rules and regulations applicable to the business of the WFOE and OPCO, do not contravene the articles of association of the WFOE and OPCO respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC Contract Law. The Structured Contracts are valid and enforceable against the parties to the Structured Contracts. Our PRC legal counsel also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions.

Despite there is currently no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, our PRC legal counsel has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant PRC laws, rules and regulations and would not agree that the Structured Contracts can be performed under the applicable PRC laws, rules and regulations that may be adopted in the future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

The possible impact of the PRC Foreign Investment Law on the Structured Contract and the OPCO

On March 15, 2019, the Second Session of the 13th National People's Congress of the PRC passed the *Foreign Investment Law*, which will be implemented on January 1, 2020.

The formally passed law has no significant impact on the structured contract and the business of the OPCO for the time being.

Despite this, our PRC legal counsel advised that according to the *Foreign Investment Law*, "investment in laws, administrative regulations or other methods prescribed by the State Council" is also a "foreign investment". Due to uncertain new laws in the future, administrative regulations or regulations of the State Council on defining "foreign investment", it's not guaranteed that whether there will be any significant impact on the future of the structure contract and the business of the OPCO.

If the law, administrative regulations or the State Council stipulate otherwise that "foreign investment" is defined and the authorities deny the legality, limitation and enforceability of the structural contract, the Group will lose the control right of the OPCO, fail to merge the financial results of the OPCO or properly safeguard, determine and control the assets of the OPCO, which will have significant adverse impacts on the Group's business, financial condition and results of operations.

The Board will continue to monitor the progress of relevant laws, administrative regulations or the regulations of State Council and discuss with the Company's PRC legal counsel. If the business of the Group or the OPCO is significantly affected, the Company will promptly publish the announcement regarding the relevant significant progress and its impact.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in OPCO as direct ownership

The Structured Contracts may not be as effective in providing the WFOE with control over and entitlement to the economic interests in OPCO as direct ownership. If WFOE had direct ownership of OPCO, WFOE would be able to directly exercise its rights as a holder of equity interest to effect changes in the board of directors of OPCO.

However, under the Structured Contracts, WFOE can only rely on OPCO and OPCO Shareholders' performance of their contractual obligations to exercise effective control. The OPCO Shareholders may not act in the best interests of the WFOE or may not perform their obligations under the Structured Contracts. Such risk exists and the Group expects it to continue to exist throughout the period in which the Group intends to operate its business through the Structured Contracts with OPCO.

In addition, the Group has not purchased any insurance to cover risks relating to the enforcement of the Structured Contracts due to unavailability of such insurance product in the market at the moment based on the best knowledge of the Group. Therefore, the Structured Contracts may not be as effective as direct ownership in providing the Group with control over OPCO.

The exercise of the call option under the Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the call option to purchase the entire equity interests in OPCO held by the OPCO Shareholders under the Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Call Option Agreement. For instance, if the consideration for the transfer of equity interest in OPCO to WFOE required by the PRC laws, rules and regulations is substantially high and the OPCO Shareholders fail to return the consideration to the WFOE or if the competent tax authority require the WFOE to pay enterprise income tax for such returned ownership transfer income with reference to the market value instead of the consideration as stipulated under the Call Option Agreement, in which case the WFOE may be subject to a substantial amount of tax, the financial conditions of the WFOE may be materially and adversely affected.

Potential conflicts of interest among the WFOE, OPCO and the OPCO Shareholders may exist

OPCO and OPCO Shareholders may fail to take certain actions required for the Group's business or to follow WFOE's instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective Structured Contracts with the WFOE, the WFOE may have to rely on legal remedies under the PRC laws, including seeking specific performance or injunctive relief, which may not be effective.

Pursuant to the Exclusive Management Consultancy Service Agreement, Business Management Agreement, Call Option Agreement and Equity Pledge Agreement (the "**Corporate Contracts**"), any disputes arising from these agreements between the parties thereto should first be resolved through negotiation, failing which by arbitration at the South China International Economic and Trade Arbitration Commission (also known as the Shenzhen Court of International Arbitration) ("**SCIETAC**") in accordance with the arbitration rules thereof (the "**Arbitration Clause**"). The arbitral tribunal may award remedies over the shares or land assets of OPCO, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of OPCO. Any disputes between the parties to the Powers of Attorney and the Undertakings may be referred to arbitration under the Arbitration Clause if the arbitral tribunal and/or the PRC court consider that those disputes fall under the scope of the Arbitration Clause under the Structured Contracts.

The Structured Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company's place of incorporation (Bermuda), OPCO's place of establishment (the PRC), the jurisdiction where the principal assets of the Company and OPCO are located (the PRC) have the power to grant interim remedies in support of the arbitration.

However, as advised by the PRC legal counsel of the Company, according to the PRC laws, rules and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as the OPCO under the PRC laws, rules and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws, rules and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Bermuda may not be recognizable or enforceable in the PRC.

Furthermore, as the parties to the Structured Contracts are PRC entities and the subject matters contained therein are related to the PRC, the courts of Hong Kong and Bermuda may not accept that they are the proper forum for legal proceedings concerning the disputes (not including a request for interim remedies and any other remedies in support of the arbitration) between the parties arising under the Structured Contracts.

The courts of Hong Kong may grant an interim remedies in support of arbitral proceedings commenced pursuant to the Arbitration Clause only if the arbitral proceedings are capable of giving rise to an arbitral award that may be enforced in Hong Kong and the interim remedies sought belongs to a type or description of interim remedies that may be granted in Hong Kong in relation to arbitral proceedings by Hong Kong courts. There is a risk that the courts of Hong Kong may refuse such interim remedies because an arbitral award from SCIETAC may be refused enforcement in Hong Kong because SCIETAC is currently not a recognized Mainland arbitral authority (as defined in the Hong Kong Arbitration Ordinance (Cap. 609)), but SCIETAC could acquire such status when a dispute arises.

Further, the court of Hong Kong may decline to grant an interim remedies on the ground that (a) the interim remedies sought is currently the subject of arbitral proceedings; and (b) the court considers it more appropriate for the interim remedies to be dealt with by the arbitral tribunal.

If any of the parties refers any dispute (not including a request for interim remedies and any other measures in support of the arbitration) arising out of the Structured Contracts to the court of Hong Kong and the dispute falls within the scope of the Arbitration Clause, the court will, if a party so requests not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration unless it finds the Arbitration Clause null, void, inoperative or incapable of being performed.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the WFOE. The WFOE may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the WFOE for PRC tax purposes, which could result in higher tax liabilities on the WFOE.

The operating and financial results of WFOE may be materially and adversely affected if the tax liabilities of OPCO or those of WFOE increase significantly or if they are required to pay interest on late payments.

Internal control measures

The Company has put in place effective internal controls over WFOE and OPCO to safeguard its assets held through the Structured Contracts. As a wholly-owned subsidiary of the Company, WFOE is subject to all the internal control processes and procedures applicable to the Group.

The operations of OPCO are exclusively controlled by WFOE through the Structured Contracts and the Group has applied its internal control processes and procedures to OPCO.

In particular, pursuant to the Structured Contracts, WFOE has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of OPCO and WFOE has the right to hire and terminate employees of OPCO.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications, experience and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

CONNECTED TRANSACTION

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

CONTINUING CONNECTED TRANSACTION

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

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

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

* *For identification purpose only*

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

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant Equipment Usage Contract on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction: (i) has not been approved by the board of directors of the Company; (ii) was not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (iii) has exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transaction.

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2018 and up to the date of this report, none of the Directors and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float throughout the year ended 31 December 2018.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CHARITABLE DONATIONS

The Group has not made any charitable donations during the year ended 31 December 2018 (year ended 31 December 2017: nil).

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report and saved as disclosed under the section of abovementioned "Continuing Connected Transaction", no material events have occurred after the reporting period.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 166 of this report.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to such company's constitutional documents. Such provisions were in force during the course of the year ended 31 December 2018 and remained in force as of the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 were audited by PricewaterhouseCoopers ("**PwC**"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint PwC as auditor of the Company.

Approved by the Board on 21 March 2019
For and on behalf of the Board

Xu Wen
Chairman

Hong Kong, 21 March 2019

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management as at 21 March 2019, being the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Xu Wen, aged 55, has over 20 years of experience in construction project management, construction research and design. Prior to joining the Company, Mr. Xu was an executive director of China Evergrande Group, a controlling shareholder of the Company (Stock Code: 3333, with shares listed on the main board of The Stock Exchange of Hong Kong Limited) and had left such position on 25 April 2017. Mr. Xu is currently the chairman of the Board, executive director, chairman of the nomination committee, member of the remuneration committee and the authorised representative of the Company.

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

Mr. Liu Yongzhuo, aged 39, has over 16 years of experience in human resource management, investment and operation of real estate projects, innovations in finance areas and management and operation of multi-industry companies. Mr. Liu has been serving China Evergrande since 2003, and had served as a vice president of China Evergrande, in charge of Guangzhou Evergrande Taobao Football Club, Evergrande culture industry group, Evergrande agricultural animal husbandry group, Evergrande internet financial group and Evergrande high-tech group. He is now serving as the chairman of the board of directors of Evergrande new energy technology group.

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

Mr. Huang Xiangui, aged 48, has over 19 years of experience in marketing, human resource management and operation, management of foreign-funded enterprises, capital market and investor relation management. Mr. Huang has been serving China Evergrande since 2004 and now serves as an executive director and the general manager of the Hong Kong office of China Evergrande Group (Stock Code: 3333). China Evergrande Group is a company listed on the Hong Kong Stock Exchange. Mr. Huang also acts as a director of certain subsidiaries of the Company.

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

Mr. Zhuo Yueqiang, aged 43, has over 15 years of experience in management in the mobile internet business. Mr. Zhuo has been serving Tencent since 2004 and has served as the manager of South China area of the mobile internet group and the general manager of the business operations and commerce department of the mobile internet group of Tencent. Since 2015, Mr. Zhuo had served as the general manager of the industry co-operation department of the WeChat group of Tencent, and now serves as the general manager of government co-operation center of WeChat Pay.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David, aged 55, has over 20 years of experience in corporate finance covering projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the member of the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also the member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is the member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference, a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital since 1 April 2017. Mr. Chau is currently is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), Evergrande Health Industry Group Limited (Stock Code: 708), IDG Energy Investment Group Limited (Stock Code: 650), Asia Grocery Distribution Limited (Stock Code: 8413) and Branding China Group Limited (Stock Code: 863). All the aforesaid companies are listed on the Stock Exchange. Mr. Chau was also an executive director of China Solar Energy Holdings Limited (Stock Code: 155) from May 2015 to June 2015, an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) from June 2013 to September 2015, and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange.

Mr. Nie Zhixin, aged 56, 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 49, is a doctorate holder from the Chuo University, Japan, a professor and doctoral supervisor at the Jinan University. He also serves as the director of the Guangdong Institute of Asia-pacific E-commerce, dean of the Guangdong Research Institute of Modern Logistics, executive president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province, vice president of the Association of Business and Economics in the Guangdong province and vice secretary-general of Chinese Association of Market Development. Mr. Chen served as an independent director of Guangzhou Friendship Group Co., Ltd. (listed on the main board of Shenzhen Stock Exchange, stock code: 00987). He is currently the independent non-executive director of the Company, an independent director of each of Guangzhou Jiacheng International Co., Ltd. (listed on the main board of Shanghai Stock Exchange, stock code: 603535) and Moso Power Supply Technology Co., Ltd. (listed on the SME board of Shenzhen Stock Exchange, stock code: 002660).

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

Professor Shi Zhuomin, aged 47, has obtained a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan and is a visiting scholar under the China-US Fulbright Program. Professor Shi studied at and visited The Chinese University of Hong Kong, Harvard Business School and the University of Missouri and visited various countries and regions including the United States, Japan, Germany, Brazil and Hong Kong for academic exchange. She also held lectures on "Marketing Practice in China" and "Chinese Luxury Consumption" for students from Europe, the United States and Japan studying in China and held lectures on "Understanding Chinese Consumers" at certain universities in the United States. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-culture consumption behaviour comparison research and international marketing.

Professor Shi is currently a professor and doctoral supervisor in the management school at Sun Yat-sen University. She is also a council member of China Marketing Association of University, a provincial investigation and consulting expert of Guangdong Province and an external academic advisor of the MScMIB program of Lingnan University in Hong Kong.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, Maria Olimpia, aged 75, is the founder of the Group. Ms. Chan was the chairman of the Company up to 7 April 2008. After resignation from the Board, Ms. Chan remains as a director of certain subsidiaries of the Company so as to facilitate her to give advice and pass on her valuable experience in the manufacturing and sales of goods operations. Ms. Chan has over 40 years of experience in the industry of manufacturing and sale of accessories for photographic products.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2018 except for the following deviation from the Code provision:

- Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2018, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

BOARD OF DIRECTORS

The Board determines the overall strategies of the Group, monitors and controls operating and financial performance, analyses and formulates strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, and significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

Composition of the Board

During the year ended 31 December 2018 and up to the date of this annual report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:

Mr. Xu Wen *(Chairman)*
Mr. Liu Yongzhuo
Mr. Huang Xiangui
Mr. Zhuo Yueqiang

Independent non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

Biographical details of the current members of the Board are set out on page 27 to page 29 of this annual report.

During the year ended 31 December 2018, the Board has at all times met the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation pursuant to the Bye-laws of the Company (the "**Bye-laws**"). In accordance with the Bye-laws, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

Board Diversity

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving the Group's business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

The Board has the following duties and responsibilities in respect of the corporate governance functions of the Company:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosures in the Corporate Governance Report in the annual report of the Company.

During the year ended 31 December 2018 and up to the date of this report, the Board has performed the corporate governance duties.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications. Four Board meetings were convened by the Company during the year ended 31 December 2018.

The Company has set up the audit committee, remuneration committee and nomination committee (as detailed in the following section) in respect of the Board.

The attendance of individual Directors at the Board meetings, the meetings of the three committees and general meetings held during the year ended 31 December 2018 is set out below:

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

Directors' Training

All Directors have complied with the Code provision in relation to continuous professional development. This has involved various forms of activities including attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for any new member of the Board. On appointment, the new member will receive an induction which includes meetings with the members of the Board introducing the Group's business segments in which the Group operates, the roles and responsibilities as a Director and the requirements under the Listing Rules in respect of the Code provision in relation to continuous professional development.

The Company regularly updates Directors on the developments in respect of the Listing Rules and applicable regulatory requirements, to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2018, all of the Directors have attended training sessions. The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

The audit committee comprised three members, namely, Mr. Chau Shing Yim, David, chairman of the audit committee, Mr. Nie Zhixin and Mr. Chen Haiquan all being independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in code provision C.3.3 of the Code. The audit committee is principally responsible for reviewing the effectiveness of the Company's internal audit function, reviewing and supervising the Group's financial reporting process, risk management and internal control system and providing advice and recommendations to the Board.

During the year ended 31 December 2018, two meetings have been held by the audit committee to approve the audited financial statements for the year ended 31 December 2017 and to review interim financial statements (including accounting policies and practices adopted) of the Group for the six months ended 30 June 2018, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 32 of this annual report.

On 18 March 2019, the audit committee met to review the risk management and internal control systems of the Group, the financial statements and other reports for the year ended 31 December 2018 and discuss any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval. The audit committee recommended the Board in relation to the re- appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2019 at the forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

The majority of the members of the remuneration committee were independent non-executive Directors. As at 31 December 2018, the members of the remuneration committee included Mr. Chau Shing Yim, David, the chairman of the remuneration committee, Mr. Nie Zhixin and Mr. Xu Wen. The remuneration committee adopted the written terms of reference which were basically the same as those set forth in code provision B.1.2 of the Code. The remuneration committee is principally responsible for assessing performance of executive Directors, approving executive Directors' service contracts, reviewing and determining, with delegated responsibility the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. No Director is involved in deciding his/her own remuneration.

During the year ended 31 December 2018, one meeting has been held by the remuneration committee. The remuneration committee had discussed and reviewed the remuneration packages for all Directors and senior management. The record of attendance of members at such meetings is set out on page 32 of this annual report.

NOMINATION COMMITTEE

The majority of the members of the nomination committee were independent non-executive Directors. As at 31 December 2018, the members of the nomination committee included Mr. Xu Wen, the chairman of the nomination committee, Mr. Nie Zhixin and Mr. Chen Haiquan. The nomination committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, and selecting and making recommendations to the Board on the appointment of Directors and senior management.

During the year ended 31 December 2018, one meeting has been held by the nomination committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 32 of this annual report.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PricewaterhouseCoopers are set out in the Independent Auditor's Report on page 74 to page 78.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

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

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

Risk Management

1. Establishment of a risk management system and structure

Based on the work completed in the prior year, the Group has continued to improve the risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities for various departments by way of the following:

✓ **Established a risk management organizational structure -** An organizational structure with the audit committee as the decision-maker and the leading groups and management of various business segments of the Group as the implementation unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

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

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

Roles	Primary Duties
Senior management of the Group (Leadership)	• Responsible for the development of risk management system, regularly review the Company's risk management policies and system • Design, implement and supervise the risk management work of the Group, report on risk management to the audit committee on a regular basis, and report and disclose significant risk information to the audit committee • Provide the audit committee with the confirmation of the effectiveness of the risk management system
Management at the headquarters of the Group and management of various departments (Implementer)	• Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work • Develop and implement a risk response program for the relevant activities • Responsible for the implementation of specific risk management measures • Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information • Conduct other relevant work on risk management
Risk management coordinators	• Coordinate risk identification and assessment work • Organize the preparation of regular risk assessment reports, summarize and submit the results to the risk management leadership • Organize and coordinate risk management training and guidance
Internal audit function	• a risk management supervising department, responsible for supervising risk management work of the Group and various business segments

✓ **Updated the risk assessment criteria** - During the Year, in response to the changes in internal and external environment, taking into account the business nature, operation characteristics and strategic objectives of the Group and each segment and the risk appetite of the management, the Group updated the risk assessment standards applicable to each business segment and carried out the assessment on the risks that are most likely to affect the achievement of the corporate objectives by using commonly recognized assessment methods and assessment criteria.

✓ **Established and standardized risk management workflow** – A risk management workflow covering major steps including identification, analysis, response, monitoring and reporting (please refer to figure 1 "Risk management workflow" below for details) has been established to systematically organize, mitigate and monitor risks. The main elements include, for the purposes of business objectives of the Group and various business segments, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures. During the Year, the Group reviewed, adjusted and improved the risk management workflow, improving the efficiency and standardization of its operation.

✓ **Determined the risk management review frequency** – The frequency of risk management assessment and reporting of the Group was determined (to be at least once a year), and the aforesaid key elements have been incorporated in the Risk Management Manual of the Group to standardize the forms and frequency of reporting.

Figure 1: Risk management workflow

2 *Risk assessment work of the Group for 2018*

In addition to the aforesaid risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance of the risk management system in 2018, details of which include the following:

- Advance the implementation of material risk assessment results of the Group for the prior year

During the Year, the management of the Group followed up on the implementation of the measures in respect of the areas for improvement in management and control identified in the risk assessment for the prior year, establishing a continuous management and control cycle model of "Risk identification — Implementation of risk countermeasures — Review effectiveness of the implementation of risk response measures — Continuous optimization of risk management and control" in order to ensure that the material risk management gaps have been effectively improved and to continuously improve the Group's ability to prevent and cope with risks (for details, please refer to Figure 2: Risk assessment, management and control model).

Figure 2: Risk assessment, management and control model

- Conduct a comprehensive review of risk management system of the Group for the year of 2018

The management of the Group updated the risk assessment standards and the risk database based on the changes in the external market environment and the internal operating environment, the progress of business and risk appetite. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks that its business segments face, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered these systems effective and sufficient.

INTERNAL CONTROL

1 Establishment of an internal control management framework

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to figure 3: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.

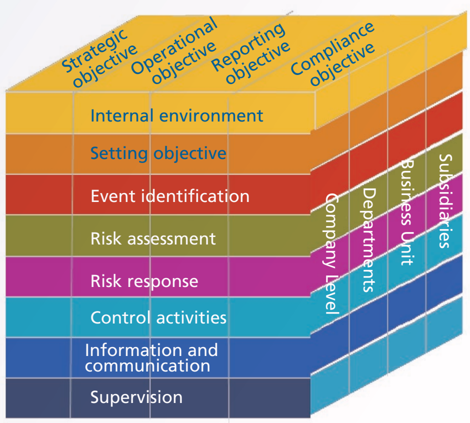


Figure 3: COSO internal control management framework

The internal control system of the Group, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and departments has designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2 Internal Audit

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

During the Year, the Board, through the audit committee, conducted a comprehensive review of the risk management and internal control systems of the Group for the financial year of 2018, which mainly involved the continuous advancement of risk assessment and the major assessment of the results of the internal control review for the prior year as well as the risk assessment and internal control review for key business process for the Year and covered the Group and its major business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the natures and severity of major risks as well as the Group's ability to cope with the changes in its business and external environment, were reviewed, and these systems were considered effective and sufficient.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the emolument to the external auditor of the Company for the annual audit and review of interim financial statements amounted to approximately RMB2,500,000 and the emolument of the external auditor of the Company for providing non-audit services including consultation and advisory service regarding to corporate governance reporting and environmental, social and governance reporting amounted to approximately RMB900,000.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, the Company did not amended its Bye-laws.

SHAREHOLDERS' RIGHTS

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Eligible Shareholders who wish to convene a SGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

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

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

Shareholder who wishes to propose a person other than a Director of the Company for election as a Director must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Hong Kong Branch Share Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the Shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51 (2) of the Listing Rules, and be signed by the Shareholder concerned (not the person to be nominated). The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence on the day after the dispatch of the notice of the general meeting held for the election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Hong Kong Branch Share Registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by Shareholders are set out in the Company's amended and restated Bye-laws headed "General Meetings", "Notice Of General Meetings", "Proceedings At General Meetings" and "Voting".

DISCLAIMERS

The contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the Shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the Shareholders in reliance upon any contents of the section headed "Shareholders' Rights" and "Right to Nominate Directors for Election at General Meetings".

INVESTOR RELATIONSHIP

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. The Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong

I. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (THE "REPORT")

The Report is prepared by the Group in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), for the purpose of disclosing the Group's ESG input and performance in 2018 and enhancing the understanding and confidence of the Group's stakeholders.

The Report covers the period from 1 January 2018 to 31 December 2018, and prior years for certain disclosure. The scope of disclosure in the Report comprises the internet community services, internet home furnishing, internet materials logistics, as well as manufacturing and sales of photographic and electronic product accessories of the Group.

The contents and data presented in the Report are derived from the Group's internal documentation and information collection, third-party interviews and questionnaire surveys.

A detailed content index prepared pursuant to the ESG Reporting Guide is set out at the end of the Report, to serve as easy reference for readers.

II. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") CONCEPT

In active response to the national policy of "applying new technologies, new operations and new models, and vigorously transforming traditional industries", the Group taps into its technological edge as an internet business, pushes for the integration of quality industrial resources with great efforts, and strives to provide convenient "one-stop" service for community property owners both online and offline. It works to supply cost-effective high-quality products and services to consumers. Meanwhile, the Group is active in shouldering social responsibility by incorporating the concept of sustainability into its daily operation and management. It vigorously practices green concepts during daily office work and product purchase, to mitigate energy consumption, resource consumption and greenhouse gas emissions, and to help realise harmonious and healthy development of the environment and society.

The Board of the Group assumes full responsibility for the ESG strategy and reporting of the Group, and is responsible for the review and approval of annual ESG reports.

Pursuant to the requirements of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Main Board of the Hong Kong Stock Exchange, the Group has established the Board and its management committee with clear responsibilities, as well as a risk management and internal control system which is subject to review, to ensure the adequacy and effectiveness of risk management. For details, please refer to the Corporate Governance Report.

III. STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

An enterprise's development is inextricably connected with its stakeholders' support and trust. The Group maintains close contact with various stakeholders such as investors, customers, suppliers and employees via a variety of channels, including activity meetings and emails, to stay attentive to the expectations and demands of the stakeholders, make timely communication and response to them, and facilitate the common development between them and the Group.

For 2018, the Group has sorted out the following expectations and demands from stakeholders as well as its responses thereto:

Stakeholders	Expectations and demands	Communication and response
Employees	Protect legitimate rights and interests	Improve the employee management system
	Clear career development paths	Optimise the career promotion mechanism
	Compensation and benefits	Provide competitive salary
	Healthy and safe working environment	Enhance the safety management system
Customers	High-quality products and services	Strengthen supplier management
	Protect customer privacy	Improve the information security system
	Adhere to business integrity	Public display of instructions on product return and replacement
	Maintain compliance operations	Improve the mechanism for communication with customers
Government and regulatory authorities	Respond to national policies	Adjust innovation and development strategies
	Comply with laws and regulatory rules	Actively cooperate with supervision and inspections
	Operation and tax contribution according to law	Strengthen anti-corruption and integrity development
	Facilitate employment	Actively engage in regional development
Investors and shareholders	Financial results	Improve profitability
	Sustainable profitability	Strengthen market capitalisation management
	Protect rights and interests	Convene general meetings
	Corporate transparency	Day-to-day information disclosure
Suppliers and partners	Cooperation and win-win	Improve the supplier management mechanism
	Openness and fairness	Build a platform for communication with suppliers
	Realise common growth	Establish strategic alliances
Industry associations	Fair competition	Strengthen research and development capability
	Promote industry progress	Participate in industry discussion and communication
	Improve industry management	Share experience in operation and management
Community	Protect community environment	Fully practice green operation
	Participate in charitable activities	Conduct charity programs
	Build a harmonious community environment	Organise community activities
	Facilitate community development	Smart community management

IV. MATERIAL ASSESSMENT

In 2018, the Group was engaged in online questionnaire survey and face-to-face interview to assess the level of stakeholders' attention to the material ESG topics and determine the order and matrix of such topics.

The Group underwent the following process to assess its material ESG topics:

Identify a list of material ESG topics

Update and determine the list of material ESG topics for the year based on the business development of the Group, taking into account the ESG reporting guides of the Hong Kong Stock Exchange and the emphasis of ESG management in the industry

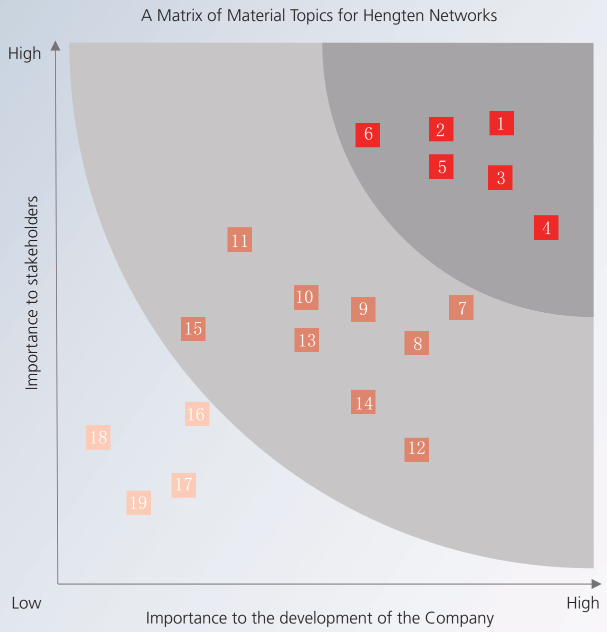
Engage in stakeholder survey

Conduct online questionnaire survey and face-to-face interview to assess the level of stakeholders' attention to the material ESG topics and understand the stakeholders' expectation towards the Group's ESG job

Determine material topics

Determine the order and matrix of material ESG topics as well as the disclosure emphases of the Report according to the survey results

The Group's material ESG topics for the year 2018 are set out in the following matrix and sequenced in the table below:



Material Topics		
Materiality	No.	Materiality assessment results
Very Important	1	Protection of intellectual property rights
	2	Customer privacy and information security
	3	Compliance management and fight against unfair competition relationship
	4	Responsible marketing and promotion
	5	Staff training and education
	6	Product and service quality management
Important	7	Customer satisfaction and handling of complaints
	8	Supply chain management and sustainable development
	9	Development of green communities
	10	Waste disposal
	11	Energy consumption and energy-saving initiatives
	12	Water resource consumption and sewage treatment
	13	Carbon emissions
	14	Staff recruitment and team building
	15	Performance appraisal and remuneration and benefits
Less Important	16	Occupational health and safety
	17	Anti-corruption management mechanism
	18	Engagement in social welfare activities
	19	Prevention of child and forced labour

Compared with the material assessment in 2017, the 2018 results indicate that protection of intellectual property rights remains the top concern for various stakeholders, while stakeholders' attention to environmental issues such as waste disposal has decreased, and to issues such as information security, compliance operation and quality control has increased. The possible reason for such change in the sequence of material ESG topics is that the Group's internet community services and related business has developed rapidly, while the business of manufacturing and sales of photographic and electronic product accessories with relatively large environmental impact has slowed down, so the stakeholder's attention to environmental management issues also has decreased accordingly.

Relevant issues will be elaborated upon in subsequent sections of the Report based on the assessment results of material ESG topics of the Group, which will serve as an important basis for the Group's ESG management in the year ahead.

V. QUALITY SERVICE

Well aware that the survival of an enterprise hinges on product quality and customer satisfaction, the Group strictly complies with the laws and regulations on product quality and safety as well as customer rights and interests, improves its product quality management system continuously, and keeps ramping up customer service, all in a bid to provide customers with cost-effective products and services.

1. Product Responsibility

Strictly in line with laws and regulations such as the Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Group has prepared special quality management systems or standards dedicated to different types of products, with stringent product quality control over various processes from product acceptance management, warehousing and delivery management, in an effort to provide safe, environmentally friendly and high-quality products for customers.

(1) Home furnishing products

In respect of home furnishing products, the Group has the Technical Standards for Home Furnishing Works in place, to strictly control the performance of its home furnishing products such as appearance, material, durability and load. In particular, the Technical Standards for Home Furnishing Works specifies that home furnishing works shall strictly comply with the requirements of relevant standards such as GB 18584 Interior Decoration and Refurbishment – Limit of Harmful Substances in Wood Furniture (《GB 18584室內裝飾裝修材料－木傢具中有害物質限量》) and GB 18580 Interior Decoration and Refurbishment Materials – Limit of Formaldehyde Emission of Wood-based Panels and Finished Products (《GB 18580室內裝飾裝修材料人造板及其製品中甲醛釋放限量》); The supplier's production base shall be documented in the contract, inspected by the Group before it can be supplied.

The Group attaches great importance to the environmental indicators and safety characteristics of its home furnishing products, and has set up corresponding standards and requirements on harmful substances and safety performance according to product types. The Group requires that its wooden furniture at least meets the standard of Level E1 in formaldehyde emission (i.e., formaldehyde content of less than 1.5mg/100g); redwood furniture suppliers must sign additional supplier undertaking letters, and provide inspection logos and quality inspection reports stating the materials of goods; metal and glass furniture are required to pass safety testing; and the paints supplier must be the top five brands of environmentally-friendly paints in the PRC.

(2) Building material products

The Group has strict acceptance standards on refined building materials, and carefully examines qualification certificates of products and the product quality inspection reports issued by competent authorities in the PRC, to ensure that customers are provided with durable and fair products that meet the requirements of relevant national standards. In line with relevant requirements of the Group, formaldehyde and other harmful substances in wood floor shall meet relevant national standards, with raw materials and finished goods to meet the environmental protection standard of Level E1 (i.e., formaldehyde content less than 1.5mg/100g); and tile products shall meet the requirements for Class A decoration and refurbishment materials in national standard "Limits of Radionuclides in Building Materials" (《建築材料放射性核素限量》) (GB6566-2010) and relevant industry standards.

To ensure product quality, the Group has established and strictly implemented the Material Acceptance Standards for Hengten Networks, in an aim to secure product quality from the source:

Factory Acceptance	Warehouse Acceptance	On-site Acceptance
• With regard to some suppliers or products, special personnel will be deployed to the factory to conduct inspection and acceptance on some of the goods, to ensure their compliance with the required specification, model, quantity and grade	• Upon their arrival at the warehouse, the goods will be jointly examined by the quality inspectors of the warehouse and supplier representatives based on requirements, to prevent the entry of unqualified goods into the warehouse	• Joint inspection will be conducted by the Group's business staff and customer representatives based on inspection standards • Upon completion of inspection, the supervisory engineer of the engineering department and the constructor will be arranged to receive the goods on site

In the meantime, the Group stores its refurbishment building materials in different zones according to the required storage conditions of such materials as well as their different performance, type, characteristics and purpose, with reasonable protection measures in place. Regional supply chains are equipped with a special area for unqualified products and those to be reported as scrap, for the purpose of eliminating problematic materials and preventing defective products from entering the inventory. Upon exit from the warehouse, goods are subject to random quality inspection and "first-in first-out" management to ensure their quality and avert quality issues caused by lengthy storage.

(3) Photographic and electronic product accessories

ISO 9001: 2015 Quality Control System Certificate

In its business of manufacturing and sales of photographic and electronic product accessories, the Group mainly provides nylon and leather bags. The Group has standard procedural documents in place such as the "Management Regulations on Quality Control", with strict quality control over the entire process from raw materials to delivery of finished products. It also requires special tests or product inspection on raw materials, semi-finished products, finished products and packaging materials, to ensure that the ultimate products conform to national quality regulations and customer requirements.

In respect of the business of manufacturing and sales of photographic and electronic product accessories, the Group actively absorbed advanced quality management ideas from abroad. In 2016, the Group has obtained ISO 9001:2015 Quality Management System certifications, valid until 25 December 2019.

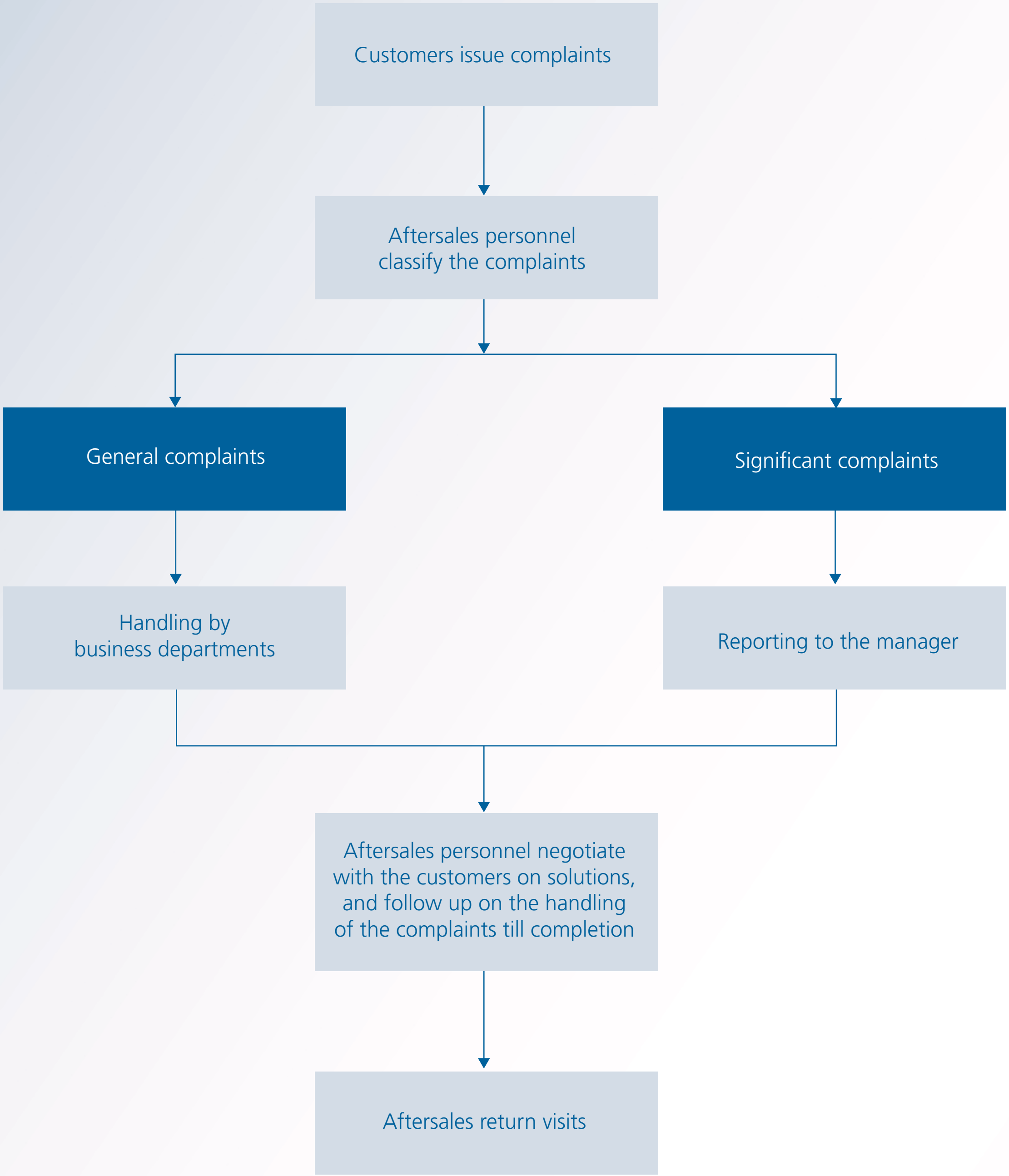
2. Customer Service Quality

The Group strictly complies with the requirements of laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益法》). In addition, the Group has a series of regulatory documents in place such as the "Management Regulations on Aftersales Service of Hengten Networks", the "Management of Aftersales Service Process for Materials" and the "Management Measures on Mimi Home", and timely understands customer demands and views to better honor its commitment to customers and protect their legitimate rights. The supply chain and aftersales service department of the Group is responsible for matters concerning aftersales service management, in a bid to improve the quality of customer service continuously.

The Group has also established an aftersales return visit mechanism to better maintain customer relations and raise customer satisfaction and loyalty. Such return visits cover three types of activities, signing of orders, product receipt and complaints. Specifically, the return visits on signing of orders are mainly designed to understand the reason for purchase by the customer and his/her suggestion on the product concerned, and to remind customers of the delivery process and settlement methods. The return visits on product receipt are mainly designed to understand any issues with the product concerned during its receipt and any views on the delivery process. The return visits on complaints are designed to understand the handling result of the issues which draw complaints from customers as well as their views and suggestions on aftersales service.

As provided in relevant regulations of the Group, aftersales personnel shall adopt specially designed skills to communicate with customers, update the general account of aftersales return visits, and timely synthesise the issues reflected by customers during the return visits, coordinate with relevant departments to handle the issues, and follow up the result of such handling. At the same time, the Group appraises its aftersales personnel, with ranking and reporting of the appraisal results to help bolster the aftersales service of the personnel. From 30 July to 31 December 2018, the Group paid aftersales return visits on 5,712 orders.

In addition, the Group has set up its unified national customer service hotline, aftersales service email and other communication channels to receive and handle customer enquiries and complaints. In respect of aftersales service for materials, the supply chain and aftersales service department of the Group classifies customer complaints into different grades, and divides the complaints into general ones and significant ones which will be handled according to the following procedure:



3. Information Security and Protection of Customer Privacy

The Group strictly complies with the requirements of laws and regulations such as the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and the Regulations on the Customer Information Protection for Telecom and Internet Users (《電信和互聯網用戶客戶信息保護規定》). In addition, the Group has internal regulatory documents in place such as the Management System for Data Backup and Data Security and the Disaster Recovery Plan, to enhance the management on internet information security and protection of individual user information. Furthermore, the Group has rolled out its "Policy on User Privacy and Information Protection" and "Policy on User Privacy and Information Security". Users are notified of the scope of collection and application of individual user information during the Group's operation, coupled with information security alerts and information disclosure requirements to beef up the awareness of personal privacy protection among users.

In respect of data security management, the Group has come up with a variety of measures such as identity verification for data access, authority management and data encryption, as well as disaster recovery and backup. Aside from that, data are divided into confidential, important and general data for classified management. In particular, our database requires encrypted storage for confidential data such as user passwords which can cause direct economic loss to companies or users. As such, even database administrators cannot directly access such data. As for important data such as user ID which might cause economic loss to companies or users, encrypted display is required with no direct output of text.

The technology department of the Group calls on all its members to study information security practice and participate in technology sharing sessions on "Penetration Test" held internally, to cultivate and improve the information security awareness of department members. Our technology team also conducts internal IT risk assessments and code security audits on a regular basis, starting from technology developers to ensure that all the processes such as development, testing, operation and maintenance comply with information security practice, thus ensuring user information security at the level of code.

In addition, to ensure no abuse of customer information, the Group enters into confidentiality agreements with its suppliers and staff, which strictly set out the scope of customer information not to be leaked to external parties; and approvals shall be obtained from both vice presidents in relation to any external demand for information.

4. Protection of Intellectual Property Rights

The Group strictly complies with the requirements of the laws relating to protection of intellectual property rights, such as the Copyright Law (《著作權法》), the Trademark Law (《商標法》), the Patent Law (《專利法》), the Tort Liability Law of the People's Republic of China (《中華人民共和國侵權責任法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). In addition, the Group executes the Management Regulations on Intellectual Property Rights of Evergrande Group formulated by China Evergrande Group, to regulate the management of intellectual property rights and protect such rights and technical patents of the Group from infringement. The legal affairs department of the Group is the department in charge of managing intellectual property rights and guiding the management and protection of such rights. It organises regularly business training on intellectual property rights, to boost the awareness of the staff for protecting such rights.

Given the greater understanding and protection of intellectual property rights, Shenzhen HengTen Networks Limited (深圳市恒騰網絡有限公司), a subsidiary of the Group, was listed in the first batch of identified high-tech enterprises in Shenzhen in October 2018. As of 31 December 2018, the Group, with its constant exploration and dedication, has obtained the 19 software copyrights such as the HengTen Mimi App (IOS version), as part of its proactive efforts to protect the copyrights of the Company from infringement. For a list of the software copyrights of the Group, please refer to Appendix III of the Report.

5. Responsible Marketing and Promotion

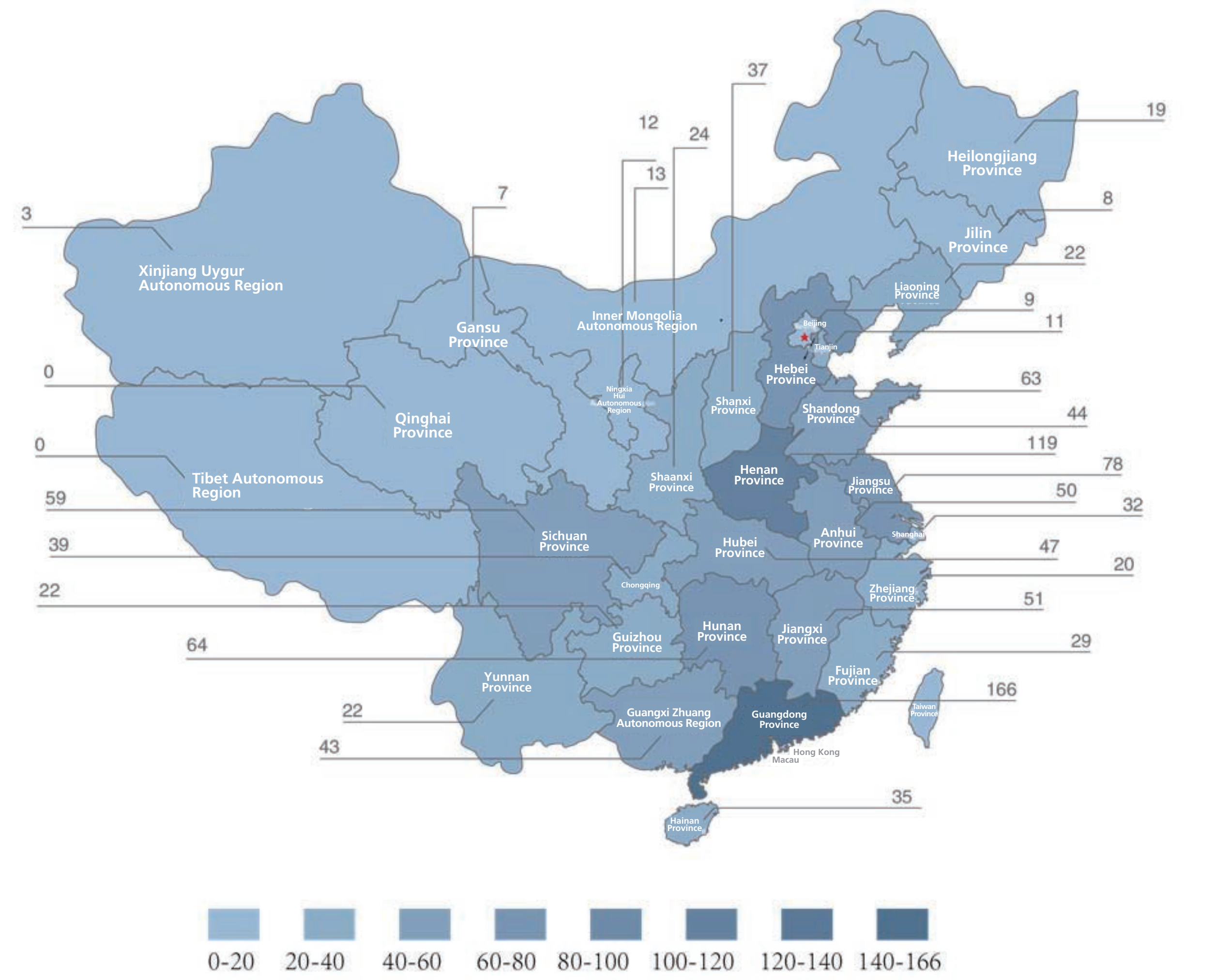
The Group complies with the requirements of laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), with strict control over the marketing information posted on advertisements, newspaper and other media channels to ensure the legality, authenticity and accuracy of its promotion information. Meanwhile, the Group offers training to its sales personnel from time to time and forbids them from releasing fraudulent or misleading promotion material, to prevent exaggeration or false publicity and to safeguard the rights and interests of users with concrete efforts.

VI. MUTUAL BENEFITS

The Group strictly abides by the laws and regulations such as the Law of the People's Republic of China on Bid Invitation and Bidding and the Government Procurement Law of the People's Republic of China, upholds the concept of sunshine cooperation, and actively improves and implements internal relevant systems to promote the win-win development between the suppliers and the Group.

As of 31 December 2018, the total number of network business-related partners in the Group is 1,148. The regional distribution of the partners is as follows:

Number of Partners by Region



1. Supplier access

The Group has formulated and implemented the Purchasing Management System of Hengten Networks Group to clarify the evaluation criteria and procedures for suppliers' recruitment, in order to ensure the fairness of supplier selection. The Group's bidding and purchasing department is responsible for the procurement projects of the national strategic partners, the Company's hardware equipment, software systems, project outsourcing bidding and procurement, and the daily procurement of the Group.

The Group adopts the method of selecting and engaging suppliers in accordance with the principle of "warehousing first, bidding later". The requirements of the Group's procurement management system for supplier qualifications include that the units to be collected must in principle be the top 10 in the nation or the top 5 in the region in respect of the brands and comprehensive strength, or internationally renowned enterprises; if the industry does not have a national or regional ranking, the selected enterprises should be the leading ones in the industry or those with comprehensive strength and large scale in the region.

The screening process and requirements for the Group's suppliers warehousing are as follows:

Supplier recruitment

- Suppliers recruitment team members collect more than 10 units and submit them to the bidding and purchasing department according to the principle of "back to back"
- The bidding and purchasing department decides whether to issue the Contact Letter and assigns a person to contact and collect information from the initially listed supplier

Qualification review

- To review business qualification or review the supplier qualification by on-site visits
- The bidding and purchasing department fills out the Qualification Examination Unit List and reports to the chairman of the Group to determine the list of at least three finalists

Warehousing management

- To classify and management suppliers as three categories of qualified, unqualified and prohibited cooperation
- To re-examine the supplier qualifications in the supplier pool at the beginning of each year, remove the unqualified suppliers from the qualified supplier pool, and develop a supplier supplement plan

2. Dynamic management for suppliers

The Group has formulated and implemented evaluation methods such as the Comprehensive Evaluation Methods for Furniture Partners of Hengten Networks Group and the Comprehensive Evaluation Standards for Material Suppliers of Hengten Networks for different types of suppliers, and conduct supplier evaluation work from sales performance, cooperation and after-sales service.

The Group scores and ranks suppliers based on relevant criteria, publicizes the results of the scores and serves as a reference for determining the scope of further cooperation. For distributors with major service issues such as brand events, the Group will terminate the cooperation relationship with them.

Meanwhile, the after-sales service department of the Group brings the results of the after-sales complaints from the monthly statistical analysis into the scope of supplier evaluation; and continues to carry out monthly rating of suppliers, and sends after-sales service rectification opinions to the cooperative suppliers as appropriate, and urges suppliers to cooperate in dealing with the after-sales problems, in order to improve product and service quality.

At the same time, the Group attaches great importance to communication with suppliers, and holds customer appreciation meetings and product launches to timely understand the supplier's cooperation expectations and development needs, and promote the establishment of transparent, open, equal and efficient cooperation.

3. Supplier product compliance requirements

The Group formulated the Quality Management Requirements for Furniture Cooperative Suppliers of Hengten Network to urge suppliers to comply with relevant laws and standards for product quality and urge them to fulfill their social responsibilities in terms of product quality and safety. The Group requires that the suppliers shall provide at least one Product Quality Inspection Report issued by a third-party authority, and at least one Environmental Management System Certification issued by a third-party authority is required for alliance suppliers. Meanwhile, the Group also requires suppliers to comply with environmental protection, labor standards, anti-corruption and other relevant legal provisions in the bidding documents and contract. For suppliers who have violated the law and regulations, the Group will suspend the cooperation with them timely, and subsequent cooperation matters shall be decided on the basis of rectification after the evaluation of the Group's inspection and investigation team.

4. Assistance for supply chain management innovation

The Group actively responses to the call of policy documents such as the Guiding Opinions on Actively Promoting Supply Chain Innovation and Application issued by the General Office of the State Council, has continuously strengthened communication with industry experts and enterprises, has actively explored innovation, and assisted the supply chain management innovation and intelligent development in the construction materials industry.

Case: China Evergrande Group's supply chain sharing strategy and Hengten Networks' product launch conference

On 8 May, 2018, China Evergrande Group's supply chain sharing strategy and Hengten Networks' product launch conference was held in Shenzhen. The conference focused on "Integrating New Ecology and Creating a New Future", bringing together nearly 200 domestic well-known home decoration enterprises.

Some of the person in charge of the home decoration enterprises said that they were willing to conduct multi-dimensional, wide-area and in-depth exploration with the Group, and jointly cultivated a simple, transparent, safe and efficient trading environment in the home decoration industry to create a development community.

Case: 2018 China Real Estate Excellence Supply Chain Management Innovation Conference

On 20 March 2018, the 2018 China Real Estate Excellent Purchase Supply Chain Management Innovation Conference with the theme of "data empowerment, integrity and respect" was held in Beijing, by the Excellent Purchase Platform hosted by China Real Estate Association.

Xu Wen, chairman of the Group, was invited to give a speech on Socialized Service and Innovation in Professional Supply Chains.

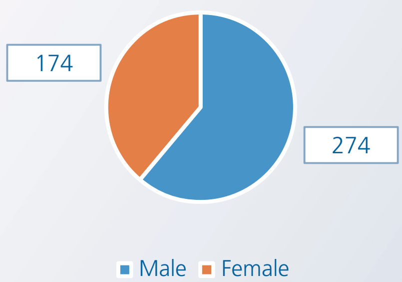
In the awarding session of the conference, China Evergrande Group was selected to enter the "Top 20 Amid Supply Chain Credit Enterprise TOP100", and Chairman Xu Wen was also elected as a special consultant for the "E-house Wharton Supply Chain Project" training program, indicating China Evergrande Group and the Group have been highly recognized by the industry in terms of supply chain management and innovation, and the establishment of a supply chain operation talent system.

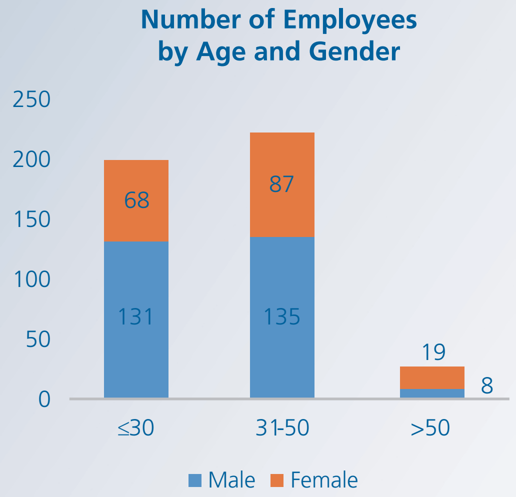
VII. HUMAN ORIENTATION

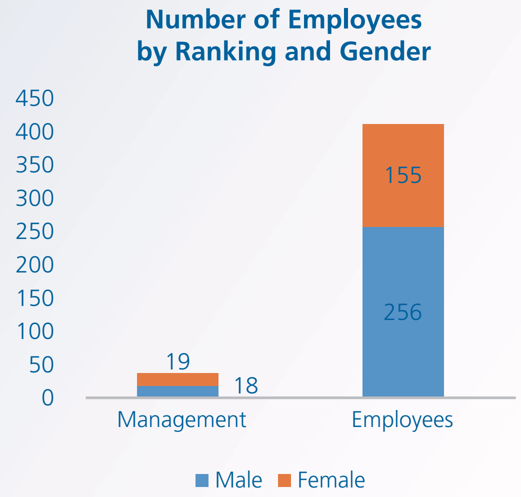
The Group strictly abides by the relevant requirements of national and local regulations for labor employment, optimizes the personnel training mechanism, provides equal and diversified development opportunities for employees, and improves the employee incentive mechanism, so as to fully exert the value and potential of talents on the basis of protecting employees' rights and interests.

As of 31 December 2018, the Group had 448 employees as follows:

Number of Employees by Gender







1. Compliance employment and employee benefits

The Group strictly abides by the laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, the Minimum Wage Regulations of the Ministry of Labor and Social Security of the People's Republic of China, finalises the Recruitment Management Rule and the Staff Resignation Management rule formulated by China Evergrande Group to ensure the standardization of relevant works such as talent recruitment, employment relationship management and employee resignation.

The Group adheres to the recruitment principle of "openness and fairness, merit-based recruitment, internality first and externality later, and relatives avoidance", conducts multiple assessments to the interviewees such as written examinations, career assessments, interview evaluations and background investigations to ensure the fairness and openness of the recruitment process. The Group's recruitment management related rules also stipulates that: the interviewer must carry out recruitment work within to the stipulated authority, and malpractices for personal gains are prohibited; the personnel administrative center is strictly forbidden to set a random salary exceeding the maximum salary standard or make false promises to the candidates in order to protect the legitimate rights and interests of employees when negotiating the wages with the candidates to be hired.

The Group introduces outstanding talents through multiple channels such as campus recruitment and social recruitment, and optimizes the talent team through employee position adjustment. In 2018, the Group carried out talent reserves through 2018 spring campus recruitment and autumn campus recruitment, which together absorbed 41 new graduates, strengthened the talent team, and helped finalises the national employment policies.

Hengten Networks 2018 Campus Recruitment Site

Hengten Networks 2018 Campus Recruitment Site

In accordance with the requirements of national and local laws and regulations, the Group pays employees' salaries on time according to internal standards, and revise and finalise the employee performance bonus incentive plan to stimulate employees' work enthusiasm. The Group pays all the five insurances and one fund in full and on time for all employees who have established labor relations with the Company, and provides paid holidays to protect the legitimate rights and interests of employees; it also formulates human welfare benefits including annual medical examinations, group travel and holiday gift, in order to improve the sense of belonging.

In 2018, the Group carried out salary research and combing work, further improved the salary management mechanism, and ensured that employees could obtain labor compensation with market competitiveness in accordance with the law.

Case: salary system research and combing

In July 2018, the Group's personnel administration center set up a salary research team to conduct salary research and combing work based on the existing business and job setup. The salary research team understood and analyzed the current salary level in the industry through relevant salary report reference, questionnaire survey, and face-to-face interviews. Meanwhile, the Group's personnel administration center launched the salary system design training in December.

The salary level survey results and salary system design training provided important support for the Group to complete the annual salary adjustment and further improve the compensation system.

2. Staff training and development

The Group strictly abides by the relevant provisions of the Labor Law of the People's Republic of China on laborers' legal access to labor skills training, and continuously improves the employee training mechanisms to help employees grow rapidly.

The Group implements a mentor-department responsibility system and a rotation mechanism for newly recruited university students to help employees quickly integrate into the team and understand the business and positions they are interested in. All departments would carefully select 1-2 middle-level leaders or departmental backbones as "mentor" to provide career development guidance for newly recruited university students in the department; require the mentors to formulate monthly work plans for newly recruited university students each month, and jointly with department heads, make evaluations and comments for the monthly performance of newly recruited university students at the end of the month. The Group requires all departments to sort out the business guidelines, systematically train newly recruited university students before the rotation and organize examinations to help newly recruited university students get started quickly.

Meanwhile, the Group will carry out annual key training projects based on annual recruitment and business development demands. In 2018, the key training programs undertaken by the Group include:

New employee induction training program

5 times

To help new employees accelerate their integration into the team:

- Recruited new employees: regular four-day induction training for new employees every quarter
- Recruited college students: a one-week induction training course of Spark Training Camp

Special Training Camp Project of Material Logistics Operation Centre

216 people

To improve the comprehensive quality and professional skills of the marketing team, a one-week special training camp was held in mid-April and the number of participants was 216

In 2018, the overall trainings of the Group were as follows:

Employee ranking	Training times (times)	Total training hours (hours)	Average hours of training (hours/person)
Management	55	64	1.73
Employees	187	191	0.46

Note: Average number of hours of training = total hours of training/number of employees.

The Group also optimizes the talent team structure through employee position adjustment (employee self-recommendation or department recommendation) and comprehensive talent inventory, improves employee performance evaluation and promotion mechanism, provides employees with appropriate and broad development platform, and improves human resource utilization efficiency. At present, the Group has formulated corresponding assessment methods for material logistics centers to standardize the work of staff assessment.

Case: 2018 Work of "Comprehensive Talent Inventory, Optimize Talent Team"

In the second half of 2018, the Group's personnel administration center set up a special team of Human Resources Business Partner (HRBP) to carry out talent inventory work.

The Group's personnel administration center conducted several talent conferences and conducts position management training for HRBP team members. It required HRBP members to go deep into various departments, systematically inventory business models, business operation processes, organizational status, departmental responsibilities, job analysis, results performance and ability level of talents. Through the talent inventory work, employees could develop their potential in suitable positions and further optimize the company's talent team.

3. Occupational safety and health

The Group strictly abides by the requirements of laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Law of the People's Republic of China on Production Safety, and strictly finalises the relevant systems and regulations for safety management to provide employees with a comfortable and safe working environment.

(1) Guarantee of production safety

For manufacturing and selling photographic and electronic product accessories business, the Group formulated and implemented internal policy documents such as Enterprise Safe Production Management System, finalised various safety management measures to ensure the safety of production and operation activities, and clearly established a safety production leading group in charge of the Company's safety management affairs, and clearly stipulated that the general manager of the Company is the first responsible person for safety production; required all departments of the company to set up a part-time safety officer to supervise, inspect and report safety matters; the workshop establishes a volunteer firefighter, in charge of the emergency treatment for sudden fires.

In order to ensure the production safety of production frontline employees, the Group implemented a safety production inspection rule, required monthly inspection of the safety production of the workshop and weekly inspection of the safety production of the team; implemented a safety management accountability reward mechanism to prevent safety accidents; and regularly carried out safety education and safety training for employees, and comprehensively improve employees' safety awareness and capabilities of emergency response. Among them, the safety production inspection of the production workshop includes: whether the equipment status is safe and sound, whether the safety protection device is effective, and whether the safety measures are implemented.

Case: safety production publicity and education activity

On 12 October 2018, the Group held fire escape evacuation exercise in the production plant area. The exercise included: detailed explanation of the actual operation of the fire exercise, in order to remind employees of the use of fire extinguishers and water-spraying belts, and organizing employee representatives to carry out practical exercises on fire-fighting equipment to enhance employees' ability to respond to emergencies.

In addition, the Group has set up safety devices such as manual alarms, fire hydrants, fire extinguishers and gas masks in conspicuous places in the headquarters building of the Group to enable employees to respond to emergencies and ensure the safety of employees. The Group had no incidents of work-related injuries and deaths in 2018.

(2) Caring for employee health

With the accelerated pace of modern life, employees face multiple pressures such as work, family, and life. To this end, in 2018, the Group actively carried out the following work in protecting the physical and mental health of employees:

- Guarantee of physical and mental health: arrange annual physical examinations for employees to remind employees of potential health problems; open the company employee clubs, set up activity groups and encourage employees to organize sports such as football basketball, and badminton outside of work for relaxation, and promote employees communication.

- Warm caring for employees: distribute welfare fruit to employees every week, regularly purchase coffee and milk tea, regularly purchase snacks and add self-service vending machines to facilitate employees for their hunger; and equip with small medicine boxes to meet the emergency drug needs of employees.

- Creation of a good atmosphere: regularly hold sweepstakes and add leisure and entertainment facilities to allow employees to balance work and rest, and truly feel the Company's care and welfare.


Company internal employee club

4. Protection of labor rights

The Group strictly abides by the requirements on labor rights of the Labor Law of the People's Republic of China, the Regulations on the Prohibition of the Use of Child Labor of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and other provisions, finalises internal recruitment management and other related systems, does not employ child labor and does not enforce labor, prohibit any form of employee discrimination, and protect the employees' freedom and personal integrity.

The Group conducts identity information verification and background checks for candidates to avoid the use of child labor; at the same time, expressly requires that both defrauding candidates to accept the job with high salaries and forcing employees to work overtime by violent means are strictly forbidden. Once violations of laws and regulations such as child labor or forced labor are discovered through employee reports or inspections, the Group will investigate the responsibility of the responsible department and responsible person as appropriate. In 2018, the Group did not have any involvement in the recruitment of child labor or forced labor.

VIII. GREEN OPERATION

The Group strictly complies with such laws and regulations as *Environmental Protection Law of the People's Republic of China*, actively carries out the green office and green production and promotes the concept of green development and environment protection, striving to reduce the possible impact on the natural environment during the operation process of the Group.

1. Green office

Since internet community service and relevant business exert less impact on the environment, the Group mainly emphasizes the implementation of green operation concept in such details as reducing use of office paper, electricity and water in daily work.

The Group abides by *Management Measures for Guangzhou Evergrande Center* formulated by the property company for the office building, strictly controls the lighting time in the office area, keeps the air-conditioning temperature constant at 24°C to 26°C, sets auto-sleep mode for electronic equipment and carries out regulation and management of morning/noon peak mode for elevators so as to reduce power consumption and greenhouse gas emission. Meanwhile, the Group uses cloud telephone and video equipment instead of business travel in order to cut down travel expenses and the greenhouse gas emission and exhaust emission generated from fuel use during travel process.

In 2018, the Group has started to used Evergrande cloud disk and shared folders as the file storage and sharing platform and the staff may download and share documents at any time to improve efficiency and reduce retention of paper documents. The Group also continues to implement online office system and realizes such functions as online transfer and online approval for documents and online attendance of staff, to realise NO-paper office gradually.

The harmless office waste in the office area of the Group has been collected by specially-assigned person and handed to the sanitation station for centralized treatment every day; kitchen waste has been categorized and collected uniformly by the property personnel of office building and then handed to the specialized company for disposal; the outsourcing provider is responsible for unified collection and recovery processing of printer cartridge and toner cartridge.

2. Green production

As to manufacturing and sales of accessories for photographic and electrical products, the Group strictly observes the relevant national and local provisions about energy conservation, emission reduction and environmental protection, conducts collection and management of the related environmental laws & regulations, standards and other requirements and develops *Registration and Evaluation Form for Laws, Regulations and other Requirements*, so as to ensure compliance with the latest requirements in laws and regulations on environmental protection every year.

To slow down the impact of accessories manufacture on natural environment, the Group has formulated and implemented such internal rules as *Environmental Monitoring and Measurement Control Program, Waste and Noise Management Regulations* and *Regulations on Waste Water Management* to make clear the standards, emission requirements and control measures which the Group need to be followed for various wastes; the Group also entrusts environmental detection institution to test the emissions of sewage and exhaust gas from workshop and canteen every year so as to conform to the national environmental protection standards and reduce the impact of production activities on environment. The Group classifies and stores daily hazardous waste and transfers the waste to the qualified third party for centralized treatment on a regular basis every year; and timely inspects the business-related environmental factors and environmental impact by periodically update of *Register of Environmental Factors*, and improves the relevant internal environmental management regulations. At the same time, in view of energy consumption management for accessories manufacture, the Group has set up energy-saving and consumption reduction team composed of supervisors, leader and vice leader of workshop, which is in charge of improvement and supervision of daily stitching technology and energy consumption; special activities themed on green production have been regularly organized for staff to analyze the production technique and technological process for all posts, to summarize and execute the measures for energy-saving, consumption and pollutant reduction.


SGS
此为证书 CN13/31544 译本
馬斯葛德雅 (東莞)皮具制品有限公司
中国廣東省東莞市橋頭鎮李朗路 126 號
ISO 14001:2015
生产尼龙和皮革包袋, 包括: 相机袋, 电脑箱包, 耳机包, 须刨袋, 化妆袋, 专业电子仪器袋
该证书的有效期自 2016 年 12 月 26 日至 2019 年 12 月 25 日
并须经过符合要求的监督审核保持有效
持续认证至少在证书失效前 60 天执行
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SGS United Kingdom Ltd
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www.sgs.com
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ISO 14001: 2015 Environmental Management System Certification

The Group was certified by ISO 14001 Environmental Management System Certification (valid until December 25th, 2019) in 2016 regarding manufacture and sales of accessories for photographic and electrical products.

Daily office and production water of the Group mainly comes from municipal tap water. The Group enhances water efficiency and reduces water consumption by operational activities mostly through such measures as use of water-saving equipment and facilities, water-saving publicity and education provided for staff.

3. Environmental education and publicity

The promotion and implementation of green environmental protection concept can't do without the participation of the public. The Group has actively guided the staff to implement the concept of green development and environment protection, including advocating staff's care for green plants and encouraging no littering through office management related rules; encouraging staff in such behaviors as energy and water-saving, both-side printing and second-time printing by posting environmental slogans. Meanwhile, based on its business characteristics and relying on the network platform, the Group has gradually delivered the message of green development and environment protection appropriately to the owners and clients, help raise the public's awareness and attention of environmental protection.

4. Environmental key performance indicators in 2018

The key environmental performance indicators for the Group in 2018 are shown as follows:

Key Performance Indicators		**Unit**	**Usage/ Emission Amount**
A1.1	Sulfur dioxide	kg	0.10
	Nitrogen oxides	kg	8.19
	Particulate matter	kg	0.42
A1.2	Greenhouse gas emission (range I)	ton	26.25
	Greenhouse gas emission (range II)	ton	725.71
	Greenhouse gas emission in total (range I and II)	ton	751.96
A1.3	Obsolete battery	kg	1.00
A1.4	Waste materials (cloth)	ton	35.55
	General waste	ton	68.40
A2.1	Total electric consumption	kWh	865,231.03
	Gasoline (official vehicle)	L	6,916.47
	Direct energy consumption	GJ	349.65
	Indirect energy consumption	GJ	3,114.83
	Total energy consumption	GJ	3,464.48
	Energy intensity (network service)	GJ/person	5.52
	Energy intensity (manufacture and sales of accessories)	GJ/accessory	0.0017
A2.2	Total water consumption	Cubic meter	11,111.84
	Water consumption intensity (network service)	Cubic meter/person	19.98
	Water consumption intensity (manufacture and sales of accessories)	Cubic meter/accessory	0.005
A2.5	Plastic packing bag (manufacture and sales of accessories)	kg	4252.00
	Plastic packing bag consumption	kg/accessory	0.0042
	Packaging box (manufacture and sales of accessories)	kg	4207.00
	Packaging box consumption	kg/accessory	0.0042

Remarks:

(i) The time span of the environmental data is from January 1st, 2018 to December 31st, 2018; the data collection scope includes the office area and staff canteen area of the Group headquarter, the production area, office area and staff canteen area for production and sales of accessories located in Guangdong Province, the warehouse and logistics centers established by the Company in South China, Central China, North China, East China and West China, as well as the office area and staff dormitory area where sales teams settle.

(ii) Greenhouse gas emission (range I) mainly comes from primary energy consumption of gasoline of official vehicle and staff canteen. Greenhouse gas emission (range II) is generated from electricity purchased. As to the emission factors, refer to *Reporting Guidelines for Environmental Key Performance Indicators* of the Hong Kong Stock Exchange. And emission factors of greenhouse gas of purchased electricity are based on "China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017".

(iii) The types of energy consumed by the Group in 2018 include electricity purchased, fuel of staff canteen and gasoline of official vehicle. Refer to the national *GB2589-2008T General Principles for Calculation of Comprehensive Energy Consumption* for conversion coefficient of energy unit.

IX. HONEST PRACTICE

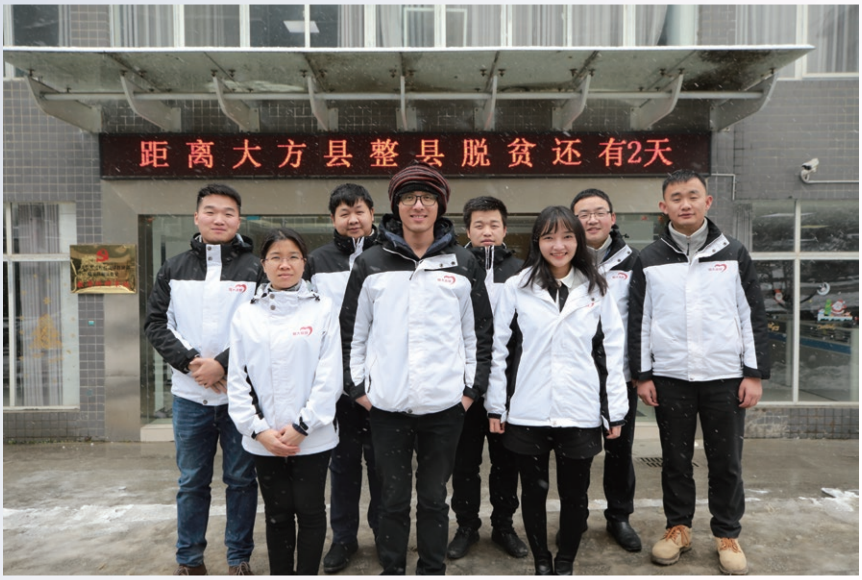
The Group attaches great importance to honest practice construction and takes a "zero tolerance" attitude towards corruption cases. The Group conforms to such relevant systems as *Integrity Supervision Management Measures for Evergrande Group* and *Cash Gift and Gift Management Method* formulated by China Evergrande Group and advocates integrity and self-discipline among staff. Moreover, such channels as informants' hot-line telephone and e-mail address are also established to accept the reporting about the behaviors involving corruption and infringement of company interests and ensure unimpeded reporting channels. The Group adopts confidential rule as to such information as the informant's identity and reporting contents and strictly controls the scope of knowledge during the investigation. In case of any behavior involving violations of law and discipline, the Group shall punish the relevant responsible personnel or hand such case to the law enforcement department for disposal, based on the seriousness of the case. In addition, the Group organizes integrity education and publicity activities for staff from time to time to promote the staff's anti-corruption awareness.

With respect to manufacturing and sales of accessories for photographic and electrical products, the Group has formulated and implemented the Clean Operation Control Procedures and has required that no person of the Company have any bribery behavior in any company activity at any time, for instance, paying or receiving a red packet. No employee is allowed to blackmail, defraud or extort such interested party as the client, supplier and internal personnel during any company activity. Employees are encouraged to report an offense, with the identity of the informant kept confidential. Material reward will be secretly given to the informant after the reported offense has been settled through final investigation and confirmation.

During the reporting period, the Group has never had any corruption case that has been filed and settled through the court against the Group and the employee of the Group.

X. POVERTY RELIEF AND ASSISTANCE FOR THE UNPRIVILEGED

The Group has actively responded to the national policy call for targeted poverty alleviation and rural revitalization, dedicated to contributions to winning the fight against poverty. For the Year 2018, the Group has continued to respond to the targeted poverty alleviation project of China Evergrande Group in Dafang County, Bijie of Guizhou Province, encouraging staff to sign up for pair-help activities and helping Dafang County achieve stable poverty alleviation.



Group Photo of Poverty Relief Team

APPENDIX I. CONTENT INDEX OF ESG REPORTING GUIDELINES

ESG Indicators		Disclosure Situation	Corresponding Chapter
A1 General disclosure	Harmful gas and greenhouse gas emission, sewage to water and soil and generation of harmful and harmless waste: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on the issuer.	Disclosed	Chapter VIII Green operation
A1.1	Emission type and related emission data.	Disclosed	Chapter VIII Green operation
A1.2	Total emissions (calculated by ton) and (if applicable) density (for instance, calculated by per unit of output or each facility) of greenhouse gas.	Disclosed	Chapter VIII Green operation
A1.3	Total harmful waste generated (calculated by ton) and (if applicable) density (for instance, calculated by per unit of output or each facility).	Disclosed	Chapter VIII Green operation
A1.4	Total harmless waste generated (calculated by ton) and (if applicable) density (for instance, calculated by per unit of output or each facility).	Disclosed	Chapter VIII Green operation
A1.5	Describe the measures for emission reduction and the achievements.	Disclosed	Chapter VIII Green operation
A1.6	Describe the methods for treating harmful and harmless waste, as well as the measures for waste production reduction and the results achieved.	Disclosed	Chapter VIII Green operation
A2 General disclosure	Policy for effective use of resources (including energy, water and other materials)	Disclosed	Chapter VIII Green operation
A2.1	Total consumption (calculated in thousand kWh) and density (for instance, calculated by per unit of output or each facility) of direct and/or indirect energy (such as electricity, gas or oil) divided by type.	Disclosed	Chapter VIII Green operation
A2.2	Total water consumption and density (for instance, calculated by per unit of output or each facility).	Disclosed	Chapter VIII Green operation
A2.3	Describe the energy efficiency program and the achievements.	Disclosed	Chapter VIII Green operation
A2.4	Describe whether there is any problem with obtaining the applicable water source, as well as water efficiency enhancement program and the achievements.	Disclosed	Chapter VIII Green operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Chapter VIII Green operation

ESG Indicators		Disclosure Situation	Corresponding Chapter
A3 General disclosure	The policy designed to reduce the issuer's great influence on environment and natural resources.	Disclosed	Chapter VIII Green operation
A3.1	Describe the great influence of the business activities on environment and the significant resources of natural resources and action taken to manage the relevant influence.	Disclosed	Chapter VIII Green operation
B1 General disclosure	About payment and dismissal, recruitment and promotion, working hours, vacation, equal opportunities, diversification, anti-discrimination and other treatment and benefits: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on issuer.	Disclosed	Chapter VII People-oriented
B1.1	Total number of employees divided as per gender, employment type, age group and region.	Disclosed in part	Chapter VII People-oriented
B1.2	Employee turnover rate divided as per gender, age group and region.	Undisclosed, to be disclosed in due course in subsequent consideration	
B2 General disclosure	About providing safe working environment and preventing employees from occupational hazard: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on issuer.	Disclosed	Chapter VII People-oriented
B2.1	Number and rate of work-related death.	Disclosed	Chapter VII People-oriented
B2.2	Working days lost due to industrial injury.	Disclosed	Chapter VII People-oriented
B2.3	Describe the occupational health and safety measures taken and the relevant implementation and supervision methods.	Disclosed	Chapter VII People-oriented

ESG Indicators		Disclosure Situation	Corresponding Chapter
B3 General disclosure	Policy about enhancing employees' knowledge and skills in performing their duties. Describe the training activities.	Disclosed	Chapter VII People-oriented
B3.1	Percentage of employees trained which are divided by gender and employee category (such as senior management and middle management).	Undisclosed, to be disclosed in due course in subsequent consideration	
B3.2	Average hours of training for every employee divided as per gender and employee category.	Disclosed in part	Chapter VII People-oriented
B4 General disclosure	About prevention of child labor or forced labor: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on issuer	Disclosed	Chapter VII People-oriented
B4.1	Describe measures to review recruitment practice so as to avoid child labor and forced labor.	Disclosed	Chapter VII People-oriented
B4.2	Describe the steps taken to eliminate the relevant situation when finding any violation.	Disclosed	Chapter VII People-oriented
B5 General disclosure	Environment of supply chain management and social risk policy.	Disclosed	Chapter VI Mutual benefit
B5.1	Number of suppliers divided as per the region.	Disclosed	Chapter VI Mutual benefit
B5.2	Describe the practice related to recruitment of suppliers, the number of suppliers to whom the relevant practice is applicable, and the implementation and supervision method for such relevant practice.	Disclosed	Chapter VI Mutual benefit

ESG Indicators		Disclosure Situation	Corresponding Chapter
B6 General disclosure	About health and safety, advertisement, label, privacy issues and remedies of the products and services provided: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on issuer	Disclosed	Chapter V Quality service
B6.1	Percentage to be recovered in the total amount sold or shipped due to safety and health reason.	Undisclosed, to be disclosed in due course in subsequent consideration	—
B6.2	The number of complaints received about products and services and solutions.	Disclosed in part	Chapter V Quality service
B6.3	Describe the practice related to safeguarding and protection of intellectual property right.	Disclosed	Chapter V Quality service
B6.4	Describe the quality verification process and product recovery procedures.	Disclosed in part	Chapter V Quality service
B6.5	Describe the protection and privacy policy for consumers' data and the relevant implementation and supervision method.	Disclosed	Chapter V Quality service
B7 General disclosure	About prevention of bribery, blackmail, fraud and money laundering: (a) policy; and (b) information about compliance with relevant laws and regulations exerting great influence on issuer	Disclosed	Chapter IX Honest practice
B7.1	The number of corruption cases filed and concluded against the issuer or the employee during the reporting period and the litigation outcome.	Disclosed	Chapter IX Honest practice
B7.2	Describe the preventive measures and reporting procedures, as well as the relevant implementation and supervision method.	Disclosed	Chapter IX Honest practice
B8 General disclosure	The policy of understanding the demand of the community for the operation through community participation and ensuring the business activities in consideration of the community interest.	Disclosed	Chapter X Poverty relief and assistance for the unprivileged
B8.1	The scope of dedicated contribution (for instance, education, environmental matters, labor demand, health, culture and sports)	Disclosed	Chapter X Poverty relief and assistance for the unprivileged
B8.2	Use of resource (such as money or time) within the area of focus.	Disclosed	Chapter X Poverty relief and assistance for the unprivileged

APPENDIX II. LIST OF POLICIES AND REGULATIONS

ESG Indicators	Internal Policy	Compliance with Regulations and Rules
A1 Emission	Measures for Control and Management of Indoor Environmental Quality	*Environmental Protection Law of the People's Republic of China*
A2 Resource usage	Environment Monitoring, Measurement and Control	*Law of the People's Republic of China on Prevention and Control of Water Pollution*
A3 Environment and natural resource	the Management Rules for Exhaust Gas and Noise the Sewage Management Rules *Management Measures for Guangzhou Evergrande Center*	*Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*
B1 Employment	*Recruitment Management Rules Employee Turnover Management System in Evergrande Group* *Performance Appraisal Standards* *Enterprise Safety Production Management System*	*Labor Law of the People's Republic of China* *Labor Contract Law of the People's Republic of China* *Employment Promotion Law of the People's Republic of China* *Social Insurance Law of the People's Republic of China*
B2 Health and safety		*Minimum Wage of the Ministry of Labor and Social Security of the People's Republic of China* *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* *Production Safety Law of the People's Republic of China* *Fire Control Law of the People's Republic of China*
B3 Development and training		*Law of the People's Republic of China on Response to Emergencies* *Regulations on the Safe Management of Hazardous Chemicals* *Regulations on Reporting, Investigation and Handling of Production Safety Accidents* *Interim Provisions of Detection & Elimination on Accident Hidden Trouble*
B4 Labor rules		*Regulations on Work-related Injury Insurance of the People's Republic of China* *Regulations on Supervision and Administration of Occupational Health in the Workplace* *Classified Catalogue of Occupational Diseases* *The Law on the Protection of Minors* *Provisions on Prohibition of Using Child Labor in the People's Republic of China*

ESG Indicators	Internal Policy	Compliance with Regulations and Rules
B5 Supply chain management	*Purchase Management System of Hengten Networks Group*	*Tendering and Bidding Law of the People's Republic of China*
	Comprehensive Evaluation Method for Furniture Partner of Hengten Networks	*Materials Acceptance Standards of Hengten Networks*
	Comprehensive Evaluation Criteria for Material Supplier of Hengten Networks	*The Law of Government Procurement of the People's Republic of China*
	Quality Management Requirements for Furniture Partner of Hengten Networks	
B6 Product liability	*Technical Standards for Engineering Household*	*Product Quality Law of the People's Republic of China*
	Quality Management Requirements for Furniture Partner of Hengten Networks	*GB 18584 Indoor Decorating and Refurbishing Materials-Limit of Harmful Substances of Wood-Based Furniture*
	Materials Acceptance Standards of Hengten Networks	*GB 18580 Indoor Decorating and Refurbishing Materials-Limit of Formaldehyde Emission of Wood-Based Panels and Finishing Products*
	Quality Control Management Regulations	*GB 18583 Indoor Decorating and Refurbishing Materials-Limit of Harmful Substances of Adhesives*
	User Privacy and Information Protection Policy	*Law on Consumer Rights and Interests of the People's Republic of China*
	User Privacy and Information Security Policy	*Limits of Radionuclides in Building Materials*
	Data Backup and Data Security Management Rules	*Law of the People's Republic of China Against Unfair Competition*
	Disaster Recovery Plan	*Interim Provisions on Prohibiting Commercial Bribery*
	Intellectual Property Management System of Hengten Networks	*Chinese Anti-monopoly Law*
	After-sales Management Method for Mimi Household of Hengten Networks Group	*Network Security Law of the People's Republic of China*
	After-sales Service Procedures for Material Logistics	*Provisions on Information Protection of Telecommunications and Internet User Customers*
	Material After-sales Service Management System of Hengten Networks	*Copyright Law*
	Management of Material After-sales Service Procedures	*Trademark Law*
	After-sales Management Method for Mimi Household	*Patent Law*
		Tort Liability Law of the People's Republic of China
		Advertising Law of the People's Republic of China
		Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks
		Provisions on Information Protection of Telecommunications and Internet User Customers
		Provisions on Registration of True Identity Information of Telephone Users
		Administrative Methods for the Confirmation of New and High Technology Enterprises
		National Standards for On-site Acceptance of Materials

ESG Indicators	Internal Policy	Compliance with Regulations and Rules
B7 Anti-corruption	*Integrity Supervision Management Measures for Evergrande Group* *Cash Gift and Gift Management Method* *Clean Operation Control Procedures*	*Company Law of the People's Republic of China* *Law of the People's Republic of China on Anti-money Laundering*
B8 Community investment	Not available	Not available

APPENDIX III. LIST OF SOFTWARE COPYRIGHT

Serial No.	Name of Software Copyright	Registration Number of Software Copyright
1.	Hengten Mimi (Android) APP software V1.0	2016SR076319
2.	Hengten Mimi (iOS) APP software V1.0	2016SR076322
3.	Hengten Mimi APP software (iOS version) V2.8.0	2016SR312033
4.	Hengten Mimi APP software (Android version) V2.8.0	2016SR312035
5.	Multi-platform flexible permission allocation management system V2.0	2017SR634386
6.	Hengten continuous integration platform V1.0	2017SR635057
7.	Hengten Mimi e-commerce platform V3.1.20	2017SR634012
8.	Hengten Mimi precision marketing system V3.1.10	2017SR634941
9.	Hengten Mimi community life service platform V3.1.20	2017SR635030
10.	Hengten Mimi property manager APP software V3.1.10	2017SR635018
11.	Hengten Mimi operation background management system V2.0	2017SR634395
12.	Hengten Mimi intelligent parking system V3.1.20	2017SR635026
13.	Flexible and configurable property service system V3.1.20	2017SR635837
14.	Mimi home decoration public platform 1.0	2017SR638220
15.	Mimi community public platform 3.1.20	2017SR633947
16.	Database connection pool monitor software V1.0	2017SR634026
17.	Generic data asynchronous export component software V1.0	2017SR634034
18.	Smart community access control system V1.0	2017SR634039
19.	Automated interface testing framework software V1.1	2017SR634271

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of HengTen Networks Group Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of HengTen Networks Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 165, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to capitalisation and expensing of internal development costs.

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalisation and expensing of internal development costs Refer to Note 2.8 - accounting policy of intangible assets and Note 4 - critical accounting estimates and judgements to the consolidated financial statements. In prior years, the Group capitalised certain internal development costs as intangible assets. During the year ended 31 December 2018, the Group has incurred internal development costs of approximately RMB53,727,000 (Note 24(a) Expenses by nature) in relation to development of a smart community system. Management has expensed all these development costs since they considered that the system development work will not generate probable future benefits to the Group. Therefore management considered the development costs did not meet the conditions of capitalisation. We focused on this area due to the significance of the internal development costs expenditure and the fact that there were judgements applied by management in assessing whether the criteria set out in the relevant accounting standards required for capitalisation of such costs have not been met.	**We performed the following procedures to address this key audit matter:** (i) We understood and evaluated the design of the controls identified by the management surrounding the capitalisation and expensing of internal development costs and we tested such controls. (ii) We obtained a breakdown, by value, of all individual internal development costs incurred during the year and reconciled this to the amounts recorded in the general ledger. (iii) We tested samples of cost incurred for the development project and through our understanding of the projects and assessing the nature and necessity of such costs to evaluate whether such cost items selected for testing were directly attributable to the projects. (iv) We conducted interviews with the project managers responsible for the development project in relation with the smart community system to obtain corroborative evidence such as project progress reports to support the explanations provided by the management. We found that management's judgements that the internal development costs did not meet the conditions of capitalisation was properly supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**15,384**	27,324
Intangible assets	7	**6,777**	8,443
Land use rights	8	**–**	85
Investment properties	9	**15,800**	15,600
Financial asset at fair value through other comprehensive income	12	**589**	–
Available-for-sale financial assets	12	**–**	645
Prepayments	14	**166**	183
Deferred tax assets	21	**20,195**	771
		58,911	53,051
Current assets			
Inventories	10	**43,119**	4,616
Trade receivables	13	**65,019**	177,612
Other receivables and prepayments	14	**37,695**	16,278
Financial assets at fair value through profit or loss	15	**–**	53,042
Cash and cash equivalents	16	**1,227,239**	901,165
		1,373,072	1,152,713
Total assets		**1,431,983**	1,205,764
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	**150,172**	150,172
Share premium	17	**4,454,940**	4,454,940
Other reserves	18	**63,598**	9,234
Accumulated losses		**(3,627,632)**	(3,734,094)
		1,041,078	880,252
Non-controlling interests		**1,563**	803
Total equity		**1,042,641**	881,055

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**52,632**	50,000
Obligations under finance leases	20	**115**	461
Deferred tax liabilities	21	**3,657**	3,551
		56,404	54,012
Current liabilities			
Contract liabilities	5(e)	**51,323**	–
Obligations under finance leases	20	**370**	372
Trade payables	22	**24,665**	65,661
Other payables	23	**211,582**	170,588
Current income tax liabilities		**44,998**	34,076
		332,938	270,697
Total liabilities		**389,342**	324,709
Total equity and liabilities		**1,431,983**	1,205,764

The notes on pages 86 to 165 are an integral part of these consolidated financial statements.

The financial statements on pages 79 to 165 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Xu Wen
Director

Huang Xiangui
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**499,419**	261,750
Cost of sales	24	**(141,788)**	(79,336)
Gross profit		**357,631**	182,414
Selling and marketing costs	24	**(93,913)**	(14,325)
Administrative expenses	24	**(116,857)**	(51,334)
(Net impairment losses)/reversal of impairment losses on financial assets		**(6,661)**	1,441
Net change in fair value of financial assets at fair value through profit or loss	5,15	**(7,361)**	10,791
Other income	26	**9,453**	2,019
Other expense	27	**(8,580)**	–
Other gains/(losses) - net	28	**948**	(301)
Operating profit		**134,660**	130,705
Finance costs	29	**(2,544)**	(8,052)
Finance income	29	**14,001**	1,231
Finance income/(costs) - net	29	**11,457**	(6,821)
Profit before income tax		**146,117**	123,884
Income tax expenses	30	**(20,861)**	(31,032)
Profit for the year		**125,256**	92,852
Other comprehensive income	18(a)		
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**(56)**	–
Changes in the fair value of available-for-sale financial assets		**–**	(65)
Currency translation difference		**36,386**	(47,134)
Other comprehensive income for the year, net of tax		**36,330**	(47,199)
Total comprehensive income for the year		**161,586**	45,653

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	2018 RMB'000	2017 RMB'000
Profit/(loss) attributable to:			
Owners of the Company		**124,496**	96,216
Non-controlling interests		**760**	(3,364)
		125,256	92,852
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**160,826**	49,017
Non-controlling interests		**760**	(3,364)
		161,586	45,653
Earnings per share for profit attributable to the ordinary equity holders of the Company for the year: (expressed in RMB cents per share)	*31*		
Basic earnings per share		**0.1545**	0.1185
Diluted earnings per share		**0.1499**	0.1172

The notes on pages 86 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 17)	Share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	150,172	4,454,940	9,234	(3,734,094)	880,252	803	881,055
Comprehensive income							
Profit for the year	–	–	–	124,496	124,496	760	125,256
Other comprehensive income							
Changes in the fair value of debt instruments at fair value through other comprehensive income *(Note 18(a))*	–	–	(56)	–	(56)	–	(56)
Currency translation difference *(Note 18(a))*	–	–	36,386	–	36,386	–	36,386
Total other comprehensive income	–	–	36,330	–	36,330	–	36,330
Total comprehensive income	–	–	36,330	124,496	160,826	760	161,586
Transactions with owners							
Transfer to statutory reserve *(Note 18(d))*	–	–	18,034	(18,034)	–	–	–
Total transactions with owners	–	–	18,034	(18,034)	–	–	–
Balance at 31 December 2018	150,172	4,454,940	63,598	(3,627,632)	1,041,078	1,563	1,042,641

The notes on pages 86 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Year ended 31 December 2018** **_RMB'000_**	Year ended 31 December 2017 _RMB'000_
Cash flows from operating activities			
Cash generated from operations	*32*	**314,412**	123,147
Interest paid		**(2,446)**	(8,052)
Interest received		**14,001**	1,231
Income tax paid		**(42,235)**	(498)
Net cash generated from operating activities		**283,732**	115,828
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,189)**	(376)
Purchase of intangible assets		**(2,689)**	(5,617)
Proceeds from disposal of property, plant and equipment		**2**	20
Purchase of available-for-sale financial assets		**–**	(448,000)
Proceeds from disposal of available-for-sale financial assets		**–**	448,000
Interest income on financial assets at amortised cost	*26*	**–**	1,830
Proceeds from disposal of held-for-trading equity investment	*15*	**48,150**	–
Dividend income from financial assets at FVPL	*26*	**1,434**	–
Dividend received from financial assets at FVOCI (2017: Dividend received from available-for-sale financial assets)	*26*	**51**	58
Net cash used in investing activities		**42,759**	(4,085)
Cash flows from financing activities			
Proceeds from exercise of Bonus Warrants		**–**	2,110
Repayment of obligations under finance leases	*20*	**(417)**	(393)
Net cash generated from financing activities		**(417)**	1,717
Net increase in cash and cash equivalents		**289,558**	113,460
Cash and cash equivalents at the beginning of the year		**901,165**	836,150
Exchange gain/(loss) on cash and cash equivalents		**36,516**	(48,445)
Cash and cash equivalents at end of year		**1,227,239**	901,165

The notes on pages 86 to 165 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company and its subsidiaries (the "Group") are principally engaged in internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products, investment and trading of securities and property investment.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In 2017, the Group has changed its presentation currency from Hong Kong dollars to Renminbi ("RMB") for the preparation of its consolidated financial statements. Having considered the principal activities of the Group are now mainly conducted in the People's Republic of China (the "PRC") where the functional currency of those subsidiaries in the PRC are in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's performance and financial position in these consolidated financial statements.

These consolidated financial statements are presented in thousands of RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 21 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets of fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendment)	Transfers to Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement 2014 – 2016 cycle	

The adoption of the above new and amended standards did not have any material impact on the consolidated financial statements except for disclosure set out in Note 2.2.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to HKFRS Standards 2015 – 2017 Cycle		1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group*** *(continued)*

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

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB48,292,000, see note 33. Of these commitments, approximately RMB1,446,000 relate to short-term leases and nil to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB44,518,000 on 1 January 2019, lease liabilities of RMB41,133,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax liabilities of RMB846,000. Overall net assets will be approximately RMB2,539,000 higher, and net current assets will be RMB17,893,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB14,732,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately RMB19,731,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately RMB19,464,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group (continued)

HKFRS 16 Leases (continued)

Impact *(continued)*

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

As explained in Notes 2.2(b) and 2.2(c) below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from HKFRS 9 and HKFRS 15 are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(a) *Impact on the financial statements* *(continued)*

Balance sheet (extract)	31 December 2017 As originally presented *RMB'000*	HKFRS 9 *RMB'000*	HKFRS 15 *RMB'000*	1 January 2018 Restated *RMB'000*
Non-current assets				
Financial assets at fair value through other comprehensive income (FVOCI)	–	645	–	645
Available-for-sale financial assets	645	(645)	–	–
Total non-current assets	645	–	–	645
Current liabilities				
Contract liabilities	–	–	5,163	5,163
Other payables	170,588	–	(5,163)	165,425
Total current liabilities	170,588	–	–	170,588

Statement of comprehensive income (extract) 2017	As originally presented *RMB'000*	HKFRS 9 *RMB'000*	Restated *RMB'000*
Other gains/(losses) - net	1,140	(1,441)*	(301)
(Net impairment losses)/reversal of impairment losses on financial assets	–	1,441*	1,441
Operating profit	1,140	–	1,140

* Reclassification of impairment losses on financial assets required as a result of consequential changes made to HKAS 1 Presentation of Financial Statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. No material adjustments were made to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.12 below.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initial recognised at fair value and subsequently measured at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**FVOCI** ***RMB'000***	**Available-for-sale financial assets** ***RMB'000***
Closing balance 31 December 2017 – HKAS 39 *	–	645
Reclassify investments in bonds from available-for-sale to financial assets at FVOCI	645	(645)
Opening balance 1 January 2018 - HKFRS 9	645	–

The impact of these changes on the Group's equity is as follows:

Opening balance – HKAS 39	**Effect on FVOCI reserve** ***RMB'000***	**Effect on Investment revaluation reserve** ***RMB'000***
Closing balance 31 December 2017 - HKAS 39	–	(168)
Reclassify investments in bonds from available-for-sale to financial assets at FVOCI	(168)	168
Opening balance – HKFRS 9	(168)	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 Financial Instruments *(continued)*

(i) Classification and measurement (continued)

Reclassify investments in bonds from available-for-sale to financial assets at FVOCI

Certain investments in Allianz US High-yield-bond Fund ("Bond Fund") were reclassified from available-for-sale to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, the Bond Fund with a fair value of RMB645,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value losses of RMB168,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original *RMB'000*	New *RMB'000*	Difference *RMB'000*
Non-current financial assets					
Investments in Allianz US High-yield-bond Fund	Available for sale	FVOCI	645	645	–
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	177,612	177,612	–
Other receivables*	Amortised cost	Amortised cost	12,161	12,161	–
Financial assets at fair value through profit or loss	Fair value through profit or loss (FVPL)	FVPL	53,042	53,042	–

* Other receivables is the other receivables and prepayments excluding prepayments and deductible input value-added tax.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 Financial Instruments *(continued)*

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables
- other receivable
- debt investments carried at FVOCI, and
- cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. For further details refer to Note 3.1(d).

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) HKFRS 15 Revenue from Contracts with Customer

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The directors of the Group consider the changes on the Group's revenue recognition do not have material impact on the amounts recognised in the financial statements. Thus, the Group adopted HKFRS 15 without restating comparative information.

The following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	Notes	HKAS 18 Carrying amount 31 December 2017 RMB'000	Reclassi - fication RMB'000	HKFRS 15 Carrying amount 1 January 2018 RMB'000
Other payables and advance receipts	*(i)*	170,588	(5,163)	165,425
Contract liabilities	*(i)*	–	5,163	5,163

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(c) *HKFRS 15 Revenue from Contracts with Customer* *(continued)*

(i) Presentation of assets and liabilities related to contracts with customers

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has controlled. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

2.4 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

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

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

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

Buildings	20 years
Leasehold improvements	Shorter of lease term and useful life
Plant and machinery	5-10 years
Furniture, fixtures and equipment	5-10 years
Network equipment	3 years
Motor vehicles	5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) - net" in profit or loss.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Acquired internet platform

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

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

(b) Internal development costs

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

- it is technically feasible to complete the application so that it will be available for use;
- management intends to complete the application and use or sell it;
- there is an ability to use or sell the application;
- it can be demonstrated how the application will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the application are available; and
- the expenditure attributable to the application during its development can be reliably measured.

Directly attributable costs that are capitalised include employment costs and an appropriate portion of relevant overheads. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives of three years.

Research expenditure and development expenditure that do not meet the capitalisation criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Patent

Separately acquired patent used right is shown at historical cost. The patent has a finite useful life and is carried at cost less accumulated amortisation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Land use rights

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

2.10 Investment properties

Property and land use rights that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

Investment property is initially measured at its cost, including related transaction costs. Subsequently, they are carried at fair value. Changes in fair values are presented in consolidated statement of comprehensive income as part of other gains/(losses) - net.

2.11 Impairment of non-financial assets

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

2.12 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Investments and other financial assets *(continued)*

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) ***Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) ***Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) - net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Investments and other financial assets *(continued)*

(c) ***Measurement*** *(continued)*

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses) - net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) - net and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) - net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) ***Impairment***

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(d) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Investments and other financial assets *(continued)*

(e) Accounting policies applied until 31 December 2017

(i) The Group has applied HKFRS 9 on 1 January 2018, and has not restated comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loan and other receivables,
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. See Note 11 for details about each type of financial asset.

(ii) *Subsequent measurement*

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at FVPL' – in profit or loss within other income/(expense) - net
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and other losses from investment securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Investments and other financial assets *(continued)*

(e) Accounting policies applied until 31 December 2017 (continued)

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

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

2.15 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

See note 13 for further information about the Group's accounting for trade receivables and Note 3.1(d) for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

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

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.20 Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefits

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Provision

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

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

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

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and provision of internet platform services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when control of the goods has transferred or services has been rendered in the accounting period for each of the Group's activities, as described below.

Sales of goods

The Group manufactures and sells accessories for photographic and electrical products in wholesale market, and sells building furnishing materials in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

Provision of internet community services

The Group provides an internet platform on which suppliers can exhibit furniture and home appliance products and another internet platform on which suppliers can exhibit building furnishing materials, and the users can access and purchase these products from the platform offered by suppliers. The Group is not the primary obligor, does not bear the inventory risk nor have the ability to establish the price. Upon successful sales, the Group will charge the suppliers a service fee based on the transactions amount. The suppliers are our customers as these suppliers are the primary obligor to provide goods and delivery service to the users and the performance obligation of the Group is to provide matching service for the suppliers. The platform service fee is determined as a percentage of the transaction amount achieved by using the Group's platform and paid by suppliers as commission revenue. The Group acts as an agent in this transaction and recognizes revenue when the matching service is completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Revenue recognition *(continued)*

Contract assets and contract liabilities

Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortised when the related revenue is recognized. The Group applied the practical expedient to recognize the incremental costs of obtaining a contract as an expense immediately if the amortization period is less than 12 months.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Accounting policies applied until 31 December 2017, Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable of goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the products are delivered to the wholesaler or services has been rendered in the accounting period for each of the Group's activities.

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Interest income

Interest income from financial assets at FVPL is included in net change in fair value of financial assets at fair value through profit or loss on these assets, see Note 15 below.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.28 Leases

(a) The Group is the lessee

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

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

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

(b) The Group is the lessor

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Foreign exchange risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade and other receivables, bank balances, trade and other payables of the Group are denominated in HK$, United States dollars ("US$"), Euro ("EUR") and RMB, currencies other than the functional currencies of respective group entities. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

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

As at 31 December 2018	**HK$ against RMB** *RMB'000*	**EUR against HK$** *RMB'000*	**RMB against HK$** *RMB'000*	**Total** *RMB'000*
Monetary assets				
– Trade and other receivables	–	48	154	202
– Cash and cash equivalents	800	13	20	833
	800	61	174	1,035
Monetary liabilities				
– Trade and other payables	–	–	(2,068)	(2,068)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) Foreign exchange risk *(continued)*

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

The functional current of the Company and certain subsidiaries is HK$ because their activities are principally conducted in HK$. As at 31 December 2018, there are assets and liabilities of approximately RMB683,548,000 (31 December 2017: approximately RMB14,368,000) and approximately RMB96,000 (31 December 2017: approximately RMB757,000) denominated in US$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

As at 31 December 2018, if HK$ had strengthened/weakened by 5% against all foreign currencies, with all other variables held constant, post-tax profit for the year ended 31 December 2018 and the net assets as at 31 December 2018 would have been increased/decreased by approximately RMB132,000 (for the year ended 31 December 2017: post-tax loss increased/decreased by approximately RMB208,000).

(b) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI (2017: available-for-sale financial assets) and certain financial assets at fair value through profit or loss held by the Group, which are traded in the market. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately RMB3,183,000. Net assets as at 31 December 2018 would increase/decrease by approximately RMB34,000 (31 December 2017: the net assets increased/decreased by approximately RMB3,221,000).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(c) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(d) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL) and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has significant concentration of credit risk on trade receivables. At 31 December 2018, 38% (31 December 2017: 52%) of the total trade receivables was due from the Group's five largest customers which are sizable and reputable corporations. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) *Credit risk* *(continued)*

(ii) *Impairment of financial assets*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) ***Credit risk*** *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

As at 31 December 2018, the loss allowance provision for trade receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables *RMB'000*
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	1,273
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 (calculated under HKFRS 9)	1,273
Increase in loss allowance recognised in profit or loss during the year	6,661
Closing loss allowance as at 31 December 2018 (calculated under HKFRS 9)	**7,934**

Other financial assets at amortised cost

For Other receivables, which included deposit and due from a related party is measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Debt investments at fair value through other comprehensive income (FVOCI)

Debt investments at FVOCI are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses., Management considers 'low credit risk' for the instruments that the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(iii) Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2018 ***RMB'000***	2017 *RMB'000*
Impairment losses		
- movement in loss allowance for trade receivables and contract assets	**(6,661)**	–
Reversal of previous impairment losses	**–**	1,441
	(6,661)	1,441

(iv) Previous accounting policy for impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) Credit risk *(continued)*

(iv) Previous accounting policy for impairment of financial assets (continued)

Assets carried at amortised cost (continued)

- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(e) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from advance receipts and long-term borrowings to meet its operating demands.

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
At 31 December 2018				
Borrowings	**2,632**	**53,781**	**–**	**56,413**
Trade payables	**24,665**	**–**	**–**	**24,665**
Other payables*	**209,914**	**–**	**–**	**209,914**
Obligations under finance leases *(Note 20)*	**380**	**88**	**30**	**498**
Total	**237,591**	**53,869**	**30**	**291,490**
At 31 December 2017				
Borrowings	2,500	2,500	51,315	56,315
Trade payables	65,661	–	–	65,661
Other payables*	149,377	–	–	149,377
Obligations under finance leases *(Note 20)*	395	361	112	868
Total	217,933	2,861	51,427	272,221

* Excluding provisions for other taxes and advance receipts.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Total borrowings and obligations under finance leases	**53,117**	50,833
Total assets	**1,431,983**	1,205,764
Gearing ratio	**4%**	4%

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2018 and 31 December 2017 on a recurring basis:

	Level 1 *RMB'000* **31 December 2018**	Level 1 *RMB'000* 31 December 2017
Financial assets		
Financial assets at FVPL *(Note 15)*	**–**	53,042
Available-for-sale financial assets *(Note 12)*	**–**	645
Financial asset at FVOCI *(Note 12)*	**589**	–
Total financial assets	**589**	53,687

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) Financial assets and liabilities *(continued)*

(i) Fair value hierarchy (continued)

The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the periods.

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

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

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

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. For further details is provided in Note 9.

	Level 3 *RMB'000* 31 December 2018	Level 3 *RMB'000* 31 December 2017
Non-financial assets		
Investment properties *(Note 9)*	**15,800**	15,600
Total non-financial assets	**15,800**	15,600

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(b) ***Non-financial assets and liabilities*** *(continued)*

(ii) Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its investment properties at least annually.

At the end of each reporting period, the directors update their assessment of the fair value of investment properties, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2017 and 31 December 2018 for recurring fair value measurements:

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Opening balance at 1 January	**15,600**	15,400
Net gain from fair value adjustment *(Note 28)*	**200**	200
Closing balance at 31 December	**15,800**	15,600
Unrealised gain on properties revaluation included in the consolidated statement of comprehensive income (included in "other gains/(losses) - net" *(Note 28)*)	**200**	200

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(b) *Non-financial assets and liabilities* *(continued)*

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 31December 2018 RMB'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs to fair value
Industrial and dormitory buildings	15,800	Level 3	Market comparison approach	Unit price per square meter	RMB 1,300 to RMB 1,600 per square meter	The higher the unit price per square meter, the higher the fair value

Description	Fair value at 31December 2017 RMB'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs to fair value
Industrial and dormitory buildings	15,600	Level 3	Market comparison approach	Unit price per square meter	RMB 1,000 to RMB 1,500 per square meter	The higher the unit price per square meter, the higher the fair value

(v) Valuation processes

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by Asset Appraisal Limited, an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at 30 June 2018 and 31 December 2018, in line with the Group's interim and annual reporting dates.

Valuations were based on market comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as property size.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Capitalisation and expensing of internal development costs

The Group capitalises costs incurred on development projects relating to the upgrade of the internet platform as intangible assets when recognition criteria are met. Significant judgement is involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits, and whether costs, including employment costs, were directly attributable to relevant projects. Notwithstanding that the Group has used all available information to make this estimation and judgement, inherent uncertainty exists and the capitalised costs may have to be expensed if there are significant changes from previous estimates.

(b) Tax provisions

The Group is subject to turnover and income taxes in the PRC and Hong Kong. Significant judgement is required in determining the tax provision. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. At the end of each reporting period, the Group reassess the provision for turnover and income taxes based on the reported financial results and the estimates of whether additional taxes will be due or any taxes are over or under provided. However where the final tax outcome of these matters is different from the provision amounts that were initially recorded by the Group, such difference will impact the provision in the year in which such determination is made.

(c) Impairment of financial asset

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2018 are as follows:

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	425,834	–	73,585	499,419
Timing of revenue recognition				
At a point	42,113	–	73,585	115,698
Over time	383,721	–	–	383,721
Dividend income from financial assets at FVOCI (2017: Dividend income from available-for-sale financial assets) *(Note 26)*	–	51	–	51
Dividend income from financial assets at FVPL	–	1,434	–	1,434
Net change in fair value of financial assets at FVPL *(Note 15)*	–	(7,361)	–	(7,361)
	425,834	(5,876)	73,585	493,543
Segment profit/(loss)	153,996	(6,902)	6,558	153,652
Unallocated corporate expenses				(7,436)
Unallocated other (losses)/gains				(8)
Unallocated finance costs-net				(91)
Profit before income tax				146,117
Depreciation	15,434	1	771	16,206
Amortisation	4,372	–	85	4,457

5 SEGMENT INFORMATION *(continued)*

(b) Segment profit/(loss) *(continued)*

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

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
Revenue	193,008	2,032	66,710	261,750
Timing of revenue recognition				
At a point	–	2,032	66,710	68,742
Over time	193,008	–	–	193,008
Dividend income from available-for-sale financial assets *(Note 26)*	–	58	–	58
Interest income on financial assets at amortised cost *(Note 26)*	–	1,830	–	1,830
Net change in fair value of financial assets at FVPL *(Note 15)*	–	10,791	–	10,791
	193,008	14,711	66,710	274,429
Segment profit/(loss)	124,922	13,507	2,985	141,414
Unallocated corporate expenses				(10,838)
Unallocated other income				91
Unallocated finance costs-net				(6,783)
Profit before income tax				123,884
Depreciation	13,645	–	1,234	14,879
Amortisation	3,678	–	261	3,939

5 SEGMENT INFORMATION *(continued)*

(c) Segment assets and liabilities

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

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

5 SEGMENT INFORMATION *(continued)*

(c) Segment assets and liabilities *(continued)*

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

	Internet community and related businesses *RMB'000*	Property investment and other investment *RMB'000*	Manufacture and sales of accessories *RMB'000*	Consolidated *RMB'000*
ASSETS				
Segment assets	210,837	69,287	20,801	300,925
Unallocated property, plant and equipment				1
Unallocated other receivables and prepayments				2,902
Deferred tax assets				771
Cash and cash equivalents				901,165
Consolidated total assets				1,205,764
LIABILITIES				
Segment liabilities	209,607	–	24,530	234,137
Unallocated other payables				2,945
Unallocated borrowings				50,000
Current income tax liabilities				34,076
Deferred tax liabilities				3,551
Consolidated total liabilities				324,709

5 SEGMENT INFORMATION *(continued)*

(c) Segment assets and liabilities *(continued)*

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

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

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

(d) Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2018 and 2017.

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

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

	Year ended 31 December 2018 ***RMB'000***	Year ended 31 December 2017 *RMB'000*
PRC	**434,587**	202,250
Europe	**23,780**	23,532
Hong Kong	**31,533**	24,481
Others	**9,519**	11,487
	499,419	261,750

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

	Year ended 31 December 2018 ***RMB'000***	Year ended 31 December 2017 *RMB'000*
Net basis		
– Provision of internet community services	**383,721**	193,008
Gross basis		
– Sales of goods	**115,698**	66,710
– Dividend income	**–**	2,032
	499,419	261,750

5 SEGMENT INFORMATION *(continued)*

(d) Geographical information *(continued)*

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
PRC	**36,511**	50,090
Hong Kong	**1,616**	1,545
	38,127	51,635

(e) Liabilities related to contracts with customers

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Contract liabilities - Internet community and related businesses	**51,323**	–

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	31 December 2018 *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the period –Internet community and related businesses	**5,163**

Unsatisfied performance obligations

For the Group, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Network equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017							
Opening net book amount	372	501	97	845	33,446	832	36,093
Additions	–	182	276	334	4,819	800	6,411
Currency translation differences	–	(9)	–	(27)	–	(68)	(104)
Disposals	–	(155)	–	(19)	–	–	(174)
Depreciation *(Note 24)*	(298)	(210)	(63)	(347)	(13,573)	(411)	(14,902)
Closing net book amount	74	309	310	786	24,692	1,153	27,324
At 31 December 2017							
Cost	6,113	1,508	3,451	2,931	45,296	2,387	61,686
Accumulated depreciation	(6,039)	(1,199)	(3,141)	(2,145)	(20,604)	(1,234)	(34,362)
Net book amount	74	309	310	786	24,692	1,153	27,324
Year ended 31 December 2018							
Opening net book amount	**74**	**309**	**310**	**786**	**24,692**	**1,153**	**27,324**
Additions	**–**	**39**	**–**	**1,553**	**2,597**	**–**	**4,189**
Currency translation differences	**–**	**7**	**22**	**11**	**1**	**39**	**80**
Disposals	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Depreciation *(Note 24)*	**(74)**	**(83)**	**(76)**	**(417)**	**(15,160)**	**(396)**	**(16,206)**
Closing net book amount	**–**	**272**	**256**	**1,930**	**12,130**	**796**	**15,384**
At 31 December 2018							
Cost	**6,113**	**1,571**	**6,569**	**4,526**	**47,894**	**2,500**	**69,173**
Accumulated depreciation	**(6,113)**	**(1,299)**	**(6,313)**	**(2,596)**	**(35,764)**	**(1,704)**	**(53,789)**
Net book amount	**–**	**272**	**256**	**1,930**	**12,130**	**796**	**15,384**

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	Year ended 31 December 2018	Year ended 31 December 2017
	RMB'000	*RMB'000*
Cost of sales	**8,300**	6,021
Other expense	**6,860**	–
Administrative expenses	**959**	8,873
Selling and marketing expenses	**87**	8
	16,206	14,902

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Cost – capitalised finance leases	**1,559**	1,481
Accumulated depreciation	**(810)**	(474)
Net book amount	**749**	1,007

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between 2 and 5 years, and ownership of the assets lie within the Group (refer to Note 20 for further details).

7 INTANGIBLE ASSETS

	Acquired internet platform	Capitalised development costs	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017				
Opening net book amount	977	5,145	–	6,122
Additions	1,123	4,876	–	5,999
Amortisation charge *(Note 24)*	(562)	(3,116)	–	(3,678)
Closing net book amount	1,538	6,905	–	8,443
At 31 December 2017				
Cost	2,240	10,610	–	12,850
Accumulated amortisation	(702)	(3,705)	–	(4,407)
Net book amount	1,538	6,905	–	8,443
Year ended 31 December 2018				
Opening net book amount	**1,538**	**6,905**	**–**	**8,443**
Additions	**38**	**–**	**2,668**	**2,706**
Amortisation charge *(Note 24)*	**(765)**	**(3,537)**	**(70)**	**(4,372)**
Closing net book amount	**811**	**3,368**	**2,598**	**6,777**
At 31 December 2018				
Cost	**2,278**	**10,610**	**2,668**	**15,556**
Accumulated amortisation	**(1,467)**	**(7,242)**	**(70)**	**(8,779)**
Net book amount	**811**	**3,368**	**2,598**	**6,777**

Amortisation of approximately RMB4,302,000 and RMB70,000 were included in "cost of sales" and "administrative expenses" (2017: approximately RMB3,678,000 was included in "cost of sales") respectively in the consolidated statement of comprehensive income (Note 24).

8 LAND USE RIGHTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Opening net book amount	**85**	346
Amortisation *(Note 24)*	**(85)**	(261)
Closing net book amount	**–**	85

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

Amortisation of approximately RMB85,000 (2017: approximately RMB261,000) was included in the "administrative expenses" in the consolidated statement of comprehensive income (Note 24).

9 INVESTMENT PROPERTIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Opening balance at 1 January	**15,600**	15,400
Net gain from fair value adjustment *(Note 28)*	**200**	200
Closing balance at 31 December	**15,800**	15,600
Unrealised gain on properties revaluation included in the consolidated statement of comprehensive income (included in "other gains/(losses) – net" *(Note 28)*)	**200**	200

The fair value of the Group's investment properties has been determined on the basis of valuation carried out by Asset Appraisal Limited, an independent and professionally qualified valuer. For further details refer to Note 3.3(b).

9 INVESTMENT PROPERTIES *(continued)*

(a) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2018 ***RMB'000***	Year ended 31 December 2017 *RMB'000*
Rental income	**–**	–
Direct operating expenses from property that did not generate rental income	**(215)**	(639)

As at 31 December 2018 and 2017, no investment properties were pledged as collateral for the Group's borrowings.

As of 31 December 2018 and 2017, investment properties held by certain subsidiaries located in the PRC were with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

10 INVENTORIES

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Raw materials	**1,561**	573
Work in progress	**666**	485
Finished goods	**40,892**	3,558
	43,119	4,616

(a) Amounts recognised in the consolidated statement of comprehensive income

Inventories recognised as an expense during the year ended 31 December 2018 amounted to approximately RMB92,279,000 (year ended 31 December 2017: approximately RMB39,291,000). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to approximately RMB4,903,000 (year ended 31 December 2017: approximately RMB12,000). These were recognised as an expense during the year ended 31 December 2018 and included in 'cost of sales in the consolidated statement of comprehensive income.

The Company did not reverse any previous inventory write-down during the year ended 31 December 2018.

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	2018 RMB'000	2017 RMB'000
Financial assets			
Financial assets at amortised cost (2017: Loan and receivables)			
Trade receivables	13	65,019	177,612
Other receivables*	14	26,420	12,161
Cash and cash equivalents	16	1,227,239	901,165
Financial assets at FVOCI (2017: Available-for-sale financial assets)			
Investment in unlisted unit trusts	12	589	645
Financial assets at FVPL			
Equity investments in listed companies	15	–	53,042
		1,319,267	1,144,625
Financial liabilities			
Liabilities at amortised cost			
Borrowings	19	52,632	50,000
Trade payables	22	24,665	65,661
Other payables**	23	197,058	138,526
Obligations under finance lease	20	485	833
		274,840	255,020

* Excluding prepayments and deductible input value-added tax.

** Excluding accrued expenses, provisions for other taxes and advance receipts.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Unlisted unit trusts	**589**	–

Unlisted unit trusts represent investment in funds in the United States. The unlisted unit trust where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(a) Amounts recognised in other comprehensive income

During the year, the following losses were recognised in other comprehensive income.

	2018 *RMB'000*	2017 *RMB'000*
losses recognised in other comprehensive income (see Note 18(a)); 2017 relating to available-for-sale financial assets, see (b) below)	**(86)**	(19)
Currency translation difference relate to the debt investment recognised in other comprehensive income (see Note 18(a))	**30**	(46)

(b) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

	2018 *RMB'000*	2017 *RMB'000*
Unlisted unit trusts	**–**	645

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

13 TRADE RECEIVABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables – gross		
– Third parties	**72,953**	178,885
Less: allowance for doubtful debts	**(7,934)**	(1,273)
Trade receivables – net	**65,019**	177,612

(a) Trade receivables were denominated in the following currencies:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
– RMB	**64,600**	168,302
– US$	**8,311**	10,372
– EUR	**–**	182
– HK$	**42**	29
	72,953	178,885

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 60 days	**23,207**	171,397
61 days to 180 days	**31,001**	6,068
Over 181 days	**10,811**	147
	65,019	177,612

13 TRADE RECEIVABLES *(continued)*

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

14 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Amounts due from related parties *(Note 34(d))*	**15,698**	2,549
Other receivables	**10,722**	9,612
Prepayments	**8,536**	1,125
Deductible input value-added tax	**2,905**	3,175
	37,861	16,461
Less non-current portion: prepayments *(a)*	**(166)**	(183)
Current portion	**37,695**	16,278

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

14 OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
– RMB	**34,832**	13,297
– HK$	**2,946**	3,094
– EUR	**47**	42
– US$	**36**	28
	37,861	16,461

(c) Fair values of other financial assets at amortised cost

The other receivables and prepayments excluding prepayments and deductible input value-added tax are the financial assets at amortised cost. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(d) Impairment and risk exposure

For prepayment and deductible input value-added tax. The Group's policy on loss allowance for other receivables and prepayments is based on the evaluation of collectability, ageing of accounts and on management's judgement rely on past collection history of each customer.

For the other financial assets at amortised cost included in "Other receivables and prepayments", the Group's exposure to credit risk and foreign currency risk can be found in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 **_RMB'000_**	31 December 2017 _RMB'000_
Held-for-trading investments	–	53,042

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

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

(i) Amounts recognised in profit or loss

During the year, the following (losses)/gains were recognised in consolidated statement of comprehensive income:

	2018 **_RMB'000_**	2017 _RMB'000_
Fair value (losses)/gains on equity investments at FVPL recognised in net change in fair value of financial assets at fair value through profit or loss	**(7,361)**	10,791

For the year of 2018, the Group has sold the held-for-trading equity investment, and received RMB48,150,000.

(ii) Previous accounting policy: Classification of financial assets at fair value through profit or loss

In 2017, the Group classified financial assets at fair value through profit or loss if they were acquired principally for the purpose of selling in the short term, ie are held for trading. They were presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets.

16 CASH AND CASH EQUIVALENTS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Cash at bank and in hand:		
– HK$	**67,347**	662,133
– RMB	**484,677**	234,960
– US$	**675,201**	3,966
– Other currencies	**14**	106
	1,227,239	901,165

17 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Note	**Number of ordinary shares**	**Share capital** *RMB'000*	**Share premium** *RMB'000*
At 1 January 2017		74,599,533,447	150,151	4,452,855
Issue of new shares upon exercise of Bonus Warrants	*18(b)*	12,135,640	21	2,085
At 31 December 2017 and 2018		**74,611,669,087**	**150,172**	**4,454,940**

18 OTHER RESERVES

	Notes	Warrants reserve RMB'000 (b), (c)	Investment revaluation reserve RMB'000	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance at 1 January 2017		(459)	(149)	–	18,888	24,618	1,286	1,153	1,152	46,489
Fair value changes of available-for-sale financial assets	(a)	–	(19)	–	–	(46)	–	–	–	(65)
Currency translation difference	(a)	–	–	–	–	(47,134)	–	–	–	(47,134)
Issue of new shares upon exercise of Bonus Warrants	(b)	4	–	–	–	–	–	–	–	4
Transfer to statutory reserves	(d)	–	–	–	–	–	9,593	–	–	9,593
Transfer to accumulated losses upon expiry of bonus warrants		287	–	–	–	60	–	–	–	347
Balance at 31 December 2017		(168)	(168)	–	18,888	(22,502)	10,879	1,153	1,152	9,234
Reclassification on adoption of HKFRS 9		–	168	(168)	–	–	–	–	–	–
Balance at 1 January 2018		(168)	–	(168)	18,888	(22,502)	10,879	1,153	1,152	9,234
Balance at 1 January 2018		**(168)**	**–**	**(168)**	**18,888**	**(22,502)**	**10,879**	**1,153**	**1,152**	**9,234**
Changes in the fair value of debt instruments at FVOCI	(a)	**–**	**–**	**(86)**	**–**	**30**	**–**	**–**	**–**	**(56)**
Currency translation difference	(a)	**–**	**–**	**–**	**–**	**36,386**	**–**	**–**	**–**	**36,386**
Transfer to statutory reserves	(d)	**–**	**–**	**–**	**–**	**–**	**18,034**	**–**	**–**	**18,034**
Balance at 31 December 2018		**(168)**	**–**	**(254)**	**18,888**	**13,914**	**28,913**	**1,153**	**1,152**	**63,598**

18 OTHER RESERVES *(continued)*

(a) Other comprehensive income

	Year ended 31 December 2018		
	Other reserves attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total other comprehensive income *RMB'000*
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of debt instruments at FVOCI	**(56)**	**–**	**(56)**
	(56)	**–**	**(56)**
Currency translation difference	**36,386**	**–**	**36,386**
	36,386	**–**	**36,386**
Total other comprehensive income – net of tax	**36,330**	**–**	**36,330**

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

18 OTHER RESERVES *(continued)*

(b) Bonus Warrants

	Number of Bonus Warrants	Warrants reserves *RMB'000*
At 1 January 2017	1,026,259,087	(291)
Issue of new shares upon exercise of Bonus Warrants	(12,135,640)	4
Expire on 23 February 2017	(1,014,123,447)	287
At 31 December 2017 and 2018	–	–

(c) New Warrants

	Number of New Warrants	Warrants reserves *RMB'000*
At 31 December 2018 and 2017	6,417,899,910	(168)

As at 31 December 2018, each New Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial exercise price of HK$0.0061 per share, subject to antidilutive adjustments. The initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share as a result of the Share Consolidation on 27 October 2015. It is exercisable at any time during a period of five years commencing from 26 October 2015 to 25 October 2020. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. Transaction costs of approximately HK$208,000 were recognised in equity as "warrants reserves". The Group has changed its presentation currency from HK$ to RMB, the transaction cost has been restated to approximately RMB168,000.

(d) Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve fund can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

19 BORROWINGS

	31 December 2018 **RMB'000**	31 December 2017 RMB'000
Borrowings included in non-current liabilities:		
Other borrowings – unsecured	**52,632**	50,000

The unsecured other borrowings denominated in HK$ and granted from independent third parties carry fixed interest rate at 5% per annum.

The maturity of the Group's borrowings at the end of the year are as follows:

	31 December 2018 **RMB'000**	31 December 2017 RMB'000
2 – 5 years	**52,632**	50,000

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

The effective interest rates were 5% as at 31 December 2018 (5% as at 31 December 2017).

20 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2018 and 2017, the Group leased motor vehicles under finance leases with lease terms ranging from 2 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.33% to 2.75% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
– Within one year	**380**	395	**370**	372
– 1 – 2 years	**88**	361	**86**	352
– 2 – 5 years	**30**	112	**29**	109
	498	868	**485**	833
Less: future finance charges	**(13)**	(35)	**–**	–
Present value of lease obligations	**485**	833	**485**	833
Less: amount due for settlement within one year			**(370)**	(372)
Amount due for settlement after one year			**115**	461

The Group's obligations under the finance leases are secured by the lessor's charge over the leased assets.

21 DEFERRED INCOME TAX

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Deferred tax assets (a)		
– Deferred tax asset to be recovered over 12 months	**3,969**	771
– Deferred tax asset to be recovered within 12 months	**16,226**	–
Deferred tax liabilities to be recovered over 12 months (b)	**(3,657)**	(3,551)
Deferred tax asset/(liabilities), net	**16,538**	(2,780)

21 DEFERRED INCOME TAX *(continued)*

(a) Deferred tax assets

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
The balance comprises temporary differences attributable to:		
– Tax losses of the subsidiaries in the PRC	**16,226**	–
– Loss allowance for trade receivables	**1,755**	–
– Amortisation of intangible assets	**991**	771
– Write-down of inventories	**1,215**	–
– Others	**8**	–
	20,195	771

Movement	Tax losses *RMB'000*	Loss allowance for trade receivables *RMB'000*	Amortisation of intangible assets *RMB'000*	Write-down of inventories *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2017	1,819	–	497	–	–	2,316
Recognised in income tax credit	(1,819)	–	274	–	–	(1,545)
At 31 December 2017	–	–	771	–	–	771

Movement	**Tax losses** ***RMB'000***	**Loss allowance for trade receivables** ***RMB'000***	**Amortisation of intangible assets** ***RMB'000***	**Write-down of inventories** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2018	**–**	**–**	**771**	**–**	**–**	**771**
Recognised in income tax credit	**16,226**	**1,755**	**220**	**1,215**	**8**	**19,424**
At 31 December 2018	**16,226**	**1,755**	**991**	**1,215**	**8**	**20,195**

21 DEFERRED INCOME TAX *(continued)*

(b) Deferred tax liabilities

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
The balance comprises temporary differences attributable to:		
Revaluation of investment properties	**(3,657)**	(3,551)

Movement	Revaluation of investment properties *RMB'000*
At 1 January 2017	(3,371)
Recognised in income tax credit	(180)
At 31 December 2017	(3,551)

Movement	**Revaluation of investment properties** ***RMB'000***
At 1 January 2018	**(3,551)**
Recognised in income tax credit	**(106)**
At 31 December 2018	**(3,657)**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately RMB637,092,000 (31 December 2017: approximately RMB602,490,000) in respect of tax losses amounting to RMB3,690,308,000 (31 December 2017: RMB3,802,790,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB16,735,000 (31 December 2017: approximately RMB14,407,000) arising from the PRC subsidiaries will expire in various dates up to 2023 (31 December 2017: 2022). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities of RMB12,518,000 (31 December 2017: RMB5,035,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled RMB250,363,000 at 31 December 2018 (31 December 2017: RMB100,693,000).

22 TRADE PAYABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade payables	24,665	65,661

Trade payables were denominated in the following currencies:

	31 December 2018 RMB'000	31 December 2017 RMB'000
– RMB	24,521	64,153
– HK$	91	1,235
– US$	53	273
	24,665	65,661

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 60 days	16,123	62,822
61 days to 150 days	7,068	2,371
Over 150 days	1,474	468
	24,665	65,661

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

23 OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Other payables *(i)*	**196,537**	136,790
Accrued expenses	**12,856**	10,851
Provisions for other taxes	**1,668**	16,048
Advance receipts	**–**	5,163
Amount due to related parties *(Note 34(d))*	**521**	1,736
	211,582	170,588

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

Other payables and accruals were denominated in the following currencies:

	31 December 2018 RMB'000	31 December 2017 RMB'000
– RMB	**207,906**	165,127
– HK$	**3,632**	4,977
– US$	**44**	484
	211,582	170,588

24 EXPENSES BY NATURE

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

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Cost of inventories sold	**87,376**	41,558
Staff costs *(Note 25, Note a)*	**172,877**	61,616
Rental expense	**16,126**	–
Depreciation *(Note 6)*	**16,206**	14,902
Materials used in research and development activities *(Note a)*	**8,132**	–
Advertising and promotion costs	**9,316**	6,468
Traveling expense	**6,777**	1,379
Legal and professional fees	**2,400**	3,337
Auditors' remuneration	**–**	–
– Audit services *(b)*	**2,500**	2,380
– Non-audit services	**900**	1,011
Amortisation of land use rights *(Note 8)*	**85**	261
Amortisation of intangible assets *(Note 7)*	**4,372**	3,678
Reversal of provisions and other payables *(c)*	**(6,976)**	(10,755)
Write-down of inventories	**4,903**	12

(a) The Group has incurred development cost of about RMB53,727,000 in relation to the development of a smart community system. Management has expensed all these development costs since they considered that the system development work would not generate probable future benefits to the Group. Therefore management considered the development costs did not meet the conditions of capitalisation. The development cost included staff cost of approximately RMB45,595,000 and materials cost of approximately RMB8,132,000.

(b) The remuneration paid and payable to the auditor of the Company amounted to approximately RMB2,500,000. Others were paid to other auditors for audit services rendered to the subsidiaries of the Company.

(c) During the year ended 31 December 2018, the Group assessed on the provisions for other taxes and surcharges. Management considered provisions of approximately RMB6,976,000 (for the year ended 31 December 2017: approximately RMB10,755,000) were not necessary and determined to reverse the provisions during the year.

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Wages and salaries	**141,861**	52,817
Pension costs – statutory pension *(b)*	**12,208**	4,211
Staff welfare	**13,045**	2,722
Medical benefits	**5,763**	1,866
	172,877	61,616

(a) Five highest paid individuals

During the year ended 31 December 2018, none of the five highest paid individuals are directors (for the year ended 31 December 2017: nil). The emoluments of the remaining five (for the year ended 31 December 2017: five) individual employees were as follows:

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Salaries and other benefits	**10,017**	7,670
Bonuses	**929**	540
Retirement scheme contributions	**99**	47
	11,045	8,257

The emoluments fell within the following bands:

	No. of employees	
	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
HK$500,000 to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	1
	5	5

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

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
	RMB'000	*RMB'000*
Gross scheme contributions	**12,208**	4,211

26 OTHER INCOME

	Year ended 31 December 2018	Year ended 31 December 2017
	RMB'000	*RMB'000*
Income from network equipment usage and maintenance service *(Note 34(b))*	**7,123**	–
Interest income on financial assets at amortised cost	**–**	1,830
Dividend income from financial assets at FVOCI (2017: Dividend income from available-for-sale financial assets)	**51**	58
Dividend income from financial assets at FVPL	**1,434**	–
Sundry income	**845**	131
	9,453	2,019

27 OTHER EXPENSE

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Cost of network equipment usage and maintenance service	**(6,860)**	–
Sundry losses	**(1,720)**	–
	(8,580)	–

28 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Fair value gains on investment properties	**200**	200
Net losses on disposal of property, plant and equipment	**(1)**	(76)
Sundry gains/(losses)	**749**	(425)
	948	(301)

29 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Finance costs:		
– Interests expenses on borrowings	**(2,521)**	(8,014)
– Interests expenses on obligations under finance leases	**(23)**	(38)
	(2,544)	(8,052)
Finance income:		
– Interest income on saving deposits	**14,001**	1,231
Finance income/(costs) – net	**11,457**	(6,821)

30 INCOME TAX EXPENSES

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Current income tax		
– Provision for the year	**(45,018)**	(30,573)
– Over-provision in respect of prior years	**4,839**	1,266
Total current tax expense	**(40,179)**	(29,307)
Deferred income tax	**19,318**	(1,725)
Income tax expenses	**(20,861)**	(31,032)

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

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Profit before income tax	**146,117**	123,884
Tax calculated at the tax rates applicable to profits/(losses) in the respective jurisdictions	**23,982**	32,080
Reversal of provisions and other payables not subject to tax	**(1,924)**	(3,235)
Income not subject to tax	**(515)**	(55)
Expenses not deductible for tax purposes	**1,117**	1,255
Tax losses and temporary differences for which no deferred income tax asset was recognised	**2,771**	4,358
Over-provision in respect of prior years	**(4,839)**	(1,266)
Effect of change in the tax rate	**269**	–
Utilisation of tax losses previously not recognised	**–**	(2,105)
	20,861	31,032

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the year ended 31 December 2018 (year ended 31 December 2017: nil).

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for a subsidiary of the Group which is entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2018 (for the year ended 31 December 2017: 25%) on the estimated assessable profit for the year/period, based on the existing legislation, interpretations and practices in respect thereof.

31 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to owners of the Company *(RMB'000)*	**124,496**	96,216
Weighted average number of ordinary shares in issue *(thousands)*	**80,571,604**	81,165,285
Basic earnings per share *(RMB cents per share)* for the year	**0.1545**	0.1185

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the years ended 31 December 2018 and 2017 have been adjusted for the impact of the bonus element implicit in the discount for the new shares and the new warrants issued by the Company on 26 October 2015.

(b) Diluted

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

	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to owners of the Company *(RMB'000)*	**124,496**	96,216
Weighted average number of ordinary shares in issue *(thousands)*	**80,571,604**	81,165,285
Adjustments for:		
– Share warrants *(thousands)*	**2,468,567**	951,165
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**83,040,171**	82,116,450
Diluted earnings per share *(RMB cents per share)* for the year	**0.1499**	0.1172

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Profit before income tax	**146,117**	123,884
Adjustments for:		
Depreciation *(Note 6)*	**16,206**	14,902
Amortisation of land use rights *(Note 8)*	**85**	261
Amortisation of intangible assets *(Note 7)*	**4,372**	3,678
Net change in fair value of financial assets at fair value through profit or loss *(Note 15)*	**7,361**	(10,791)
(Net impairment losses)/reversal of impairment losses on financial assets	**6,661**	(1,441)
Interest income on financial assets at amortised cost *(Note 26)*	**–**	(1,830)
Dividend income from financial assets at FVPL	**(1,434)**	–
Dividend income from available-for-sale financial assets at FVOCI (2017: Dividend income from available-for-sale financial assets) *(Note 26)*	**(51)**	(58)
Fair value gains on investment properties *(Note 28)*	**(200)**	(200)
Net losses on disposal of property, plant and equipment *(Note 28)*	**1**	76
Finance (income)/costs – net *(Note 29)*	**(11,457)**	6,821
Changes in working capital:		
Inventories	**(38,503)**	(2,386)
Trade receivables	**105,932**	(153,673)
Other receivables and prepayments	**(21,687)**	(5,376)
Trade payables	**(40,996)**	52,277
Contract liabilities	**51,323**	–
Other payables	**90,682**	97,003
Net cash generated from operations	**314,412**	123,147

32 CASH FLOW INFORMATION *(continued)*

(b) Non-cash investing activities

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Acquisition of property, plant and equipment by means of finance leases	**–**	651

(c) Net asset reconciliation

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Cash and cash equivalents	**1,227,239**	901,165
Liquid investments *(i)*	**–**	53,042
Obligation under finance lease – repayable within one year	**(370)**	(372)
Obligation under finance lease – repayable after one year	**(115)**	(461)
Borrowings – repayable after one year	**(52,632)**	(50,000)
Net asset	**1,174,122**	903,374
Cash and liquid investments	**1,227,239**	954,207
Gross debt – fixed interest rates	**(53,117)**	(50,833)
Net asset	**1,174,122**	903,374

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

	Other assets		Liabilities from financial activities			
	Cash *RMB'000*	Liquid investments *(i)* *RMB'000*	Finance leases due within 1 year *RMB'000*	Finance leases due after 1 year *RMB'000*	Borrowings due after 1 year *RMB'000*	Total *RMB'000*
Net asset as at 1 January 2017	836,150	45,750	(168)	(459)	(53,571)	827,702
Cash flows	113,460	–	393	–	–	113,853
Acquisitions – finance leases	–	–	(447)	(204)	–	(651)
Currency translation differences	(48,445)	(3,499)	26	26	3,571	(48,321)
Other non-cash movements	–	10,791	(176)	176	–	10,791
Net asset as at 31 December 2017	901,165	53,042	(372)	(461)	(50,000)	903,374

32 CASH FLOW INFORMATION *(continued)*

(c) Net asset reconciliation *(continued)*

	Other assets		Liabilities from financial activities			
	Cash	Liquid investments *(i)*	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due after 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net asset as at 1 January 2018	901,165	53,042	(372)	(461)	(50,000)	903,374
Cash flows	289,558	(48,150)	417	–	–	241,825
Foreign exchange adjustments	36,516	2,469	(45)	(24)	(2,632)	36,284
Other non-cash movements	–	(7,361)	(370)	370	–	(7,361)
Net asset as at 31 December 2018	1,227,239	–	(370)	(115)	(52,632)	1,174,122

33 COMMITMENTS

(a) Operating leases commitments

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Not later than one year	**20,910**	1,488
Later than one year but no later than five years	**27,382**	3,988
	48,292	5,476

(b) Capital commitments

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Contracted but not provided for		
– Online platform	**31**	3,108

34 RELATED PARTY TRANSACTIONS

The Group is controlled by Evergrande, which owns indirectly 54% of the Company's shares. Mount Yandang owns 20% of the shares and the remaining 26% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

In addition to those disclosed elsewhere in the financial statements, during the years ended 31 December 2018 and 2017, the Group had the following significant transactions and balances with related parties, which are carried out in the normal course of the Group's business:

(a) Name and relationship with related parties

Name	**Relationship**
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest
Evergrande Internet Financial Services (Shenzhen) Co., Ltd. ("恒大互聯網金融服務(深圳)有限公司")	A subsidiary of Evergrande
Guangzhou Jiasui Property Co., Ltd. ("廣州市佳穗置業有限公司")	A subsidiary of Evergrande
Hengda Intelligent Technology (Shenzhen) Co., Ltd. ("恒大智慧科技(深圳)有限公司")	A subsidiary of Evergrande

(b) Transactions with related parties

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
(i) Rental expenses:		
Guangzhou Jiasui Property Co., Ltd.	**2,083**	1,736
Mascotte Investments Limited	**1,210**	1,200
	3,293	2,936
(ii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	**7,123**	–

34 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Key management compensation		
– Salaries and other employee benefits	**5,211**	5,501

(d) Balances with related parties

As at 31 December 2018, the Group had the following significant balances with related parties:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Due from related parties:		
– A key management personnel *(i)*	**2,682**	2,549
– Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	**8,280**	–
– Hengda Intelligent Technology (Shenzhen) Co., Ltd.	**4,736**	–
	15,698	2,549

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Due to related parties:		
– Guangzhou Jiasui Property Co., Ltd. *(ii)*	**521**	1,736

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

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

35 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent *(%)*	Proportion of ordinary shares held by the Group *(%)*	Proportion of ordinary shares held by non-controlling interests *(%)*
Flamm Investment Holdings Limited	Hong Kong	Provision of management services to group entities, Hong Kong	HK$1	100%	100%	–
Sun Mass Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Sun Mass Funding Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Crown Emerald Investments Limited	BVI	Trading of investments, Hong Kong	HK$85,076,371	–	100%	–
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited ("馬斯葛德雅(東莞)皮具製品有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	–	100%	–
Mascotte Industrial Associates Group Limited	BVI	Investment holding, Hong Kong	US$4	–	100%	–
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	–	100%	–

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent *(%)*	Proportion of ordinary shares held by the Group *(%)*	Proportion of ordinary shares held by non-controlling interests *(%)*
Equipment (Hui Zhou) Co. Limited ("馬斯葛志豪照相器材(惠州)有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	US$4,180,000	–	90%	10%
Mascotte Dongguan Electrical Accessories Limited ("馬斯葛(東莞)电子配件有限公司") *(i)*	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$1,500,000	–	100%	–
Time Beyond Limited	Hong Kong	Loan financing, Hong Kong	HK$11,547,930	–	100%	–
Begonia Limited	Hong Kong	Investment holding, Hong Kong	HK$1	–	100%	–
Shenzhen HengTen Networks Services Co., Limited.("深圳市恒騰網絡服務有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	US$15,000,000	–	100%	–
Shenzhen HengTen Networks Limited ("深圳市恒騰網絡有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	–	–	100%	–
Shenzhen HengTen Intelligence Technology Co., Limited.("深圳市恒騰智能科技有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	RMB1,000,000	–	100%	–
Shenzhen HengTen Building Materials E-Commerce Co., Limited. ("深圳市恒騰材料電子商務有限公司") *(i)*	The PRC, limited liability company	Internet community service and related business, the PRC	–	–	100%	–
Xingluo Technology Co., Limited. ("星絡科技有限公司") *(i)*	The PRC, limited liability company	Internet community services, the PRC	RMB100,000,000	–	100%	–

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

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**78,298**	74,383
Property, plant and equipment		**–**	1
		78,298	74,384
Current assets			
Amounts due from subsidiaries		**110,515**	100,662
Other receivables		**41**	254
Cash and cash equivalents		**676,033**	650,393
		786,589	751,309
Total assets		**864,887**	825,693
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**150,172**	150,172
Share premium	(a)	**4,454,940**	4,454,940
Other reserves	(a)	**21,155**	(19,306)
Accumulated losses	(a)	**(3,817,635)**	(3,813,904)
Total equity		**808,632**	771,902

	31 December 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	**52,632**	50,000
Current liabilities		
Other payables and accruals	**3,623**	3,791
Total liabilities	**56,255**	53,791
Total equity and liabilities	**864,887**	825,693

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf.

Xu Wen	**Huang Xiangui**
Director	*Director*

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

(a) Reserve movement of the Company

	Share premium	Warrants reserve	Contributed surplus	Translation Reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	4,452,855	(459)	63,481	(27,208)	(3,798,895)	689,774
Loss for the year	–	–	–	–	(14,662)	(14,662)
Issue of new shares upon exercise of Bonus Warrants	2,085	4	–	–	–	2,089
Transfer to accumulated losses upon expiry of Bonus Warrants	–	287	–	60	(347)	–
Currency translation difference	–	–	–	(55,471)	–	(55,471)
At 31 December 2017	4,454,940	(168)	63,481	(82,619)	(3,813,904)	621,730
At 1 January 2018	**4,454,940**	**(168)**	**63,481**	**(82,619)**	**(3,813,904)**	**621,730**
Loss for the year	**–**	**–**	**–**	**–**	**(3,731)**	**(3,731)**
Currency translation difference	**–**	**–**	**–**	**40,461**	**–**	**40,461**
At 31 December 2018	**4,454,940**	**(168)**	**63,481**	**(42,158)**	**(3,817,635)**	**658,460**

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of directors of the Company for the year ended 31 December 2018 is set out below:

	Fees	**Contribution to pension scheme**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Chau Shing Yim, David	**300**	**–**	**300**
Nie Zhixin	**300**	**–**	**300**
Chen Haiquan	**300**	**–**	**300**
Shi Zhuomin	**300**	**–**	**300**
Huang Xiangui	**180**	**9**	**189**
Liu Yongzhuo	**180**	**9**	**189**
Xu Wen	**180**	**9**	**189**
Zhuo Yueqiang	**–**	**–**	**–**
	1,740	**27**	**1,767**

The remuneration of directors of the Company for the year ended 31 December 2017 is set out below:

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

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

(ii) Ms. Zhang Xiaohua has resigned as an executive director and the chairlady of the Board of the Company with effect from 24 April 2017.

37 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2018 (for the year ended 31 December 2017: nil).

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

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2017: nil).

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

For the year ended 31 December 2018, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2017: nil).

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

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

FIVE YEARS FINANCIAL SUMMARY

The summary of results, assets and liabilities of the Group for last five financial years (extracted from published audited financial statements) is set forth as follows.

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*	For the year ended 31 December 2016 *RMB'000* (Restated)	For the 9 months ended 31 December 2015 *RMB'000* (Restated)	For the year ended 31 March 2015 *RMB'000* (Restated)
Turnover	**499,419**	261,750	113,918	82,159	80,227
Profit/(Loss) before tax	**146,117**	123,884	4,328	(183,907)	(110,792)
Income tax (charge)/credit	**(20,861)**	(31,032)	257	77	8,470
Profit/(Loss) for the year/period	**125,256**	92,852	4,585	(183,830)	(102,322)
Attributable to					
Owners of the company	**124,496**	96,216	4,307	(183,723)	(101,791)
Non-controlling interests	**760**	(3,364)	278	(107)	(531)
	125,256	92,852	4,585	(183,830)	(102,322)

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000* (Restated)	As at 31 December 2015 *RMB'000* (Restated)	As at 31 March 2015 *RMB'000* (Restated)
ASSETS AND LIABILITIES					
Total assets	**1,431,983**	1,205,764	982,926	727,987	99,387
Total liabilities	**(389,342)**	(324,709)	(149,634)	(112,876)	(121,315)
Net assets (liabilities)	**1,042,641**	881,055	833,292	615,111	(21,928)
Equity attributable to owners of the Company	**1,041,078**	880,252	829,125	611,222	(25,924)
Non-controlling interests	**1,563**	803	4,167	3,889	3,996
	1,042,641	881,055	833,292	615,111	(21,928)

Note: The information for year ended 31March 2015, for the nine months ended 31 December 2015 and for the year ended 31 December 2016 set out in above five years financial summary has been restated to reclassify the performance of solar grade polycrystalline silicon operation as discontinued operations and has been restated due to change in presentation currency.