



恒腾网络
hengten networks

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Interim
Report

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HENG TEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)
(Stock Code: 136)



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Corporate Information

The corporate information of HengTen Networks Group Limited as at the date of this report (24 August 2020) is as follows:

DIRECTORS

Executive Directors

Mr. Xu Wen (*Chairman*)
Mr. Huang Xiangui
Mr. Wan Chao

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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited
China Everbright Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

WEBSITE ADDRESS

<http://www.htmimi.com>

DATE OF REPORT

24 August 2020

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	14,977	17,457
Right-of-use assets	5	20,469	16,364
Intangible assets	5	2,244	2,929
Lease receivables		2,235	3,411
Deferred tax assets		2,009	7,295
Financial assets at fair value through other comprehensive income		567	631
Other non-current assets	7	3,235	104
		45,736	48,191
Current assets			
Inventories	6	30,178	30,317
Other current assets	7	35,048	35,401
Trade and other receivables	8	106,384	107,284
Financial assets at fair value through profit or loss	9	11,046	3,311
Cash and cash equivalents	10	1,090,280	1,313,301
		1,272,936	1,489,614
Total assets		1,318,672	1,537,805
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	11	150,172	150,172
Share premium	11	4,454,940	4,454,940
Other reserves	12	97,805	80,890
Accumulated losses		(3,540,406)	(3,544,451)
Total equity		1,162,511	1,141,551

Condensed Consolidated Statement of Financial Position

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	Notes		
LIABILITIES			
Non-current liabilities			
Lease liabilities		10,768	6,654
		10,768	6,654
Current liabilities			
Contract liabilities		6,973	18,143
Lease liabilities		12,700	13,471
Borrowings	13	27,273	53,571
Trade payables	14	12,453	15,554
Other payables	15	84,550	284,229
Current income tax liabilities		1,444	4,632
		145,393	389,600
Total liabilities		156,161	396,254
Total equity and liabilities		1,318,672	1,537,805

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Xu Wen
Director

Huang Xiangui
Director

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended	
		30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
Revenue	4	113,280	164,126
Cost of sales	16	(49,390)	(60,907)
Gross profit		63,890	103,219
Selling and marketing costs	16	(34,938)	(29,344)
Administrative expenses	16	(27,430)	(26,225)
Net reversal/(provision) of impairment losses on financial assets		6	(3,182)
Other income	17	6,117	5,050
Other expenses	18	(916)	(2,704)
Other gains — net		2,193	381
Operating profit		8,922	47,195
Finance costs	19	(1,654)	(1,922)
Finance income	19	7,503	11,219
Finance income — net	19	5,849	9,297
Profit before income tax		14,771	56,492
Income tax expenses	20	(7,591)	(2,960)
Profit for the period		7,180	53,532
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income		(64)	28
Currency translation difference		13,844	393
Other comprehensive income for the period, net of tax		13,780	421
Total comprehensive income for the period		20,960	53,953

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended	
		30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
Profit for the period attributable to:			
Owners of the Company		7,180	53,594
Non-controlling interests		—	(62)
		7,180	53,532
Total comprehensive income for the period attributable to:			
Owners of the Company		20,960	54,015
Non-controlling interests		—	(62)
		20,960	53,953
Earnings per share for profit attributable to the owners of the Company for the period: (expressed in RMB cents per share)			
Basic earnings per share	21	0.0089	0.0665
Diluted earnings per share	21	0.0089	0.0655

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes In Equity

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	Total		
RMB'000 (Note 11)	RMB'000 (Note 11)	RMB'000 (Note 12)	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2019	150,172	4,454,940	63,598	(3,627,632)	1,041,078	1,563	1,042,641
Comprehensive income							
Profit for the period	—	—	—	53,594	53,594	(62)	53,532
Other comprehensive income							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	28	—	28	—	28
Currency translation difference	—	—	393	—	393	—	393
Total other comprehensive income	—	—	421	—	421	—	421
Total comprehensive income	—	—	421	53,594	54,015	(62)	53,953
Transactions with owners							
Transfer to statutory reserve	—	—	5,509	(5,509)	—	—	—
Total transactions with owners	—	—	5,509	(5,509)	—	—	—
Balance at 30 June 2019	150,172	4,454,940	69,528	(3,579,547)	1,095,093	1,501	1,096,594

Condensed Consolidated Statement of Changes In Equity

	Unaudited				
	Attributable to owners of the Company				
	Share capital RMB'000 (Note 11)	Share premium RMB'000 (Note 11)	Other reserves RMB'000 (Note 12)	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2020	150,172	4,454,940	80,890	(3,544,451)	1,141,551
Comprehensive income					
Profit for the period	—	—	—	7,180	7,180
Other comprehensive income					
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(64)	—	(64)
Currency translation difference	—	—	13,844	—	13,844
Total other comprehensive income	—	—	13,780	—	13,780
Total comprehensive income	—	—	13,780	7,180	20,960
Transactions with owners					
Transfer to statutory reserve	—	—	3,135	(3,135)	—
Total transactions with owners	—	—	3,135	(3,135)	—
Balance at 30 June 2020	150,172	4,454,940	97,805	(3,540,406)	1,162,511

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended	
		30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
Cash flows from operating activities			
Net cash used in operations		(190,401)	(19,355)
Interest paid		(1,336)	(1,292)
Interest received		7,503	11,219
Income tax paid		(9,005)	(42,616)
Net cash used in operating activities		(193,239)	(52,044)
Cash flows from investing activities			
Purchase of property, plant and equipment		(862)	(63)
Purchase of intangible assets		(27)	—
Purchase of financial assets at fair value through profit or loss		(10,446)	—
Proceeds from disposal of financial assets at fair value through profit or loss		1,943	—
Dividend income received		29	23
Net cash used in investing activities		(9,363)	(40)
Cash flows from financing activities			
Repayment of borrowings		(27,273)	—
Principal elements of lease payments		(6,534)	(5,844)
Net cash used in financing activities		(33,807)	(5,844)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,313,301	1,227,239
Exchange gain on cash and cash equivalents		13,388	3
Cash and cash equivalents at end of period	10	1,090,280	1,169,314

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to The Condensed Consolidated Interim Financial Information

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 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 and investment and trading of securities.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 24 August 2020.

This condensed consolidated interim financial information has not been audited.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) in Mainland China in late January 2020 has prompted the adoption of strict prevention and control measures by the government nationwide, which has resulted in extensive obstructions on factory productions, operations of business partners and property settlements, leading to declines on orders and transaction volume under the Group’s internet home furnishing platform, bringing about an adverse effect to the Group’s revenue in the first half of 2020. With the COVID-19 in Mainland China gradually easing up, the resumption of operations of various industries and the trend of stimulating consumption in the Mainland China, the Group anticipates that the business transaction volume of the Group will pick up month by month and the Group will pay continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcements made by the Group during the interim reporting period.

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

Notes to The Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION (Continued)

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2020 for the Group:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 39, HKFRS 7 and HKFRS 9	Hedge accounting

The adoption of the above new and amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendment to HKFRS 16	Leases — COVID-19 related rent concessions	1 June 2020
Amendments to HKAS 1	Presentation of financial statements' on classification of liabilities	1 January 2022
Amendments to HKFRS 3	Business combinations	1 January 2022
Amendments to HKAS 16	Property, plant and equipment	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 1	First-time adoption of IFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

Notes to The Condensed Consolidated Interim Financial Information

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

	Level 1
	RMB'000
As at 30 June 2020	
Financial assets	
Financial assets at fair value through profit or loss ("FVPL") (Note 9)	11,046
Financial assets at fair value through other comprehensive income ("FVOCI")	567
	11,613
As at 31 December 2019	
Financial assets	
Financial assets at FVPL (Note 9)	3,311
Financial assets at FVOCI	631
	3,942

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, 2 and 3 during the periods.

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

Notes to The Condensed Consolidated Interim Financial Information

3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Fair value hierarchy (Continued)

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
- Lease liabilities

4 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.

In the second half year of 2019, the property investment and other investment segment disposed of its investment properties which were the most significant segmental assets. As a result, the property investment and other investment business became insignificant and the CODM considered it unnecessary to disclose the property investment and other investment business as an individual segment during the six months ended 30 June 2020.

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

Notes to The Condensed Consolidated Interim Financial Information

4 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
Revenue	90,532	22,748	113,280
Timing of revenue recognition			
At a point in time	11,574	22,748	34,322
Over time	78,958	—	78,958
	90,532	22,748	113,280
Segment profit/(loss)	20,298	(1,457)	18,841
Unallocated corporate expenses			(3,823)
Unallocated other income			29
Unallocated other losses			(841)
Unallocated finance income — net			565
Profit before income tax			14,771
Depreciation	8,385	771	9,156
Amortisation	670	—	670

Notes to The Condensed Consolidated Interim Financial Information

4 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss) (Continued)

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

	Internet community and related businesses RMB'000	Property investment and other investment RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
Revenue	136,069	—	28,057	164,126
Timing of revenue recognition				
At a point in time	26,186	—	28,057	54,243
Over time	109,883	—	—	109,883
Dividend income from financial assets at FVOCI (Note 17)	—	23	—	23
	136,069	23	28,057	164,149
Segment profit/(loss)	55,149	(568)	(926)	53,655
Unallocated corporate expenses				(2,706)
Unallocated finance income — net				5,543
Profit before income tax				56,492
Depreciation	10,297	—	801	11,098
Amortisation	2,268	—	—	2,268

Notes to The Condensed Consolidated Interim Financial Information

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

Segment assets and liabilities as at 30 June 2020 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS			
Segment assets	171,370	17,028	188,398
Unallocated other receivables and prepayments			25,024
Unallocated right-of-use assets			1,348
Financial assets at FVOCI			567
Financial assets at FVPL			11,046
Deferred tax assets			2,009
Cash and cash equivalents			1,090,280
Consolidated total assets			1,318,672
LIABILITIES			
Segment liabilities	114,979	8,524	123,503
Unallocated other payables			2,563
Unallocated borrowings			27,273
Unallocated lease liabilities			1,378
Current income tax liabilities			1,444
Consolidated total liabilities			156,161

Notes to The Condensed Consolidated Interim Financial Information

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

Segment assets and liabilities as at 31 December 2019 are as follows:

	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS			
Segment assets	159,564	18,117	177,681
Unallocated other receivables and prepayments			33,615
Unallocated right-of-use assets			1,971
Financial assets at FVOCI			631
Financial assets at FVPL			3,311
Deferred tax assets			7,295
Cash and cash equivalents			1,313,301
Consolidated total assets			1,537,805
LIABILITIES			
Segment liabilities	321,066	10,199	331,265
Unallocated other payables			4,796
Unallocated borrowings			53,571
Unallocated lease liabilities			1,990
Current income tax liabilities			4,632
Consolidated total liabilities			396,254

Notes to The Condensed Consolidated Interim Financial Information

4 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 other receivables and prepayments, certain right-of-use assets, financial assets at FVOCI, financial assets at FVPL, 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, certain lease liabilities and current income tax liabilities.

5 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Intangible assets RMB'000
Six months ended 30 June 2019			
Opening net book amount at 1 January 2019	15,384	—	6,777
Adoption of HKFRS16	(748)	23,552	—
Additions	63	—	—
Currency translation differences	(13)	—	—
Transfers	181	(181)	—
Depreciation and amortisation charges (Note 16)	(6,355)	(4,743)	(2,268)
Closing net book amount at 30 June 2019	8,512	18,628	4,509
Six months ended 30 June 2020			
Opening net book amount at 1 January 2020	17,457	16,364	2,929
Additions	862	10,322	27
Disposals	—	—	(42)
Currency translation differences	219	—	—
Depreciation and amortisation charges (Note 16)	(3,561)	(6,217)	(670)
Closing net book amount at 30 June 2020	14,977	20,469	2,244

Notes to The Condensed Consolidated Interim Financial Information

6 INVENTORIES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Raw materials	587	431
Work in progress	69	124
Finished goods — at cost	1,046	2,862
Finished goods — at fair value less cost to sell	28,476	26,900
	30,178	30,317

The cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately RMB23,982,000 (for the six months ended 30 June 2019: approximately RMB39,580,000).

As at 30 June 2020, a provision of RMB10,719,000 was made to write down the inventories (31 December 2019: RMB10,171,000).

7 OTHER CURRENT AND NON-CURRENT ASSETS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Prepayments	32,590	32,393
Deductible input value-added tax	5,693	3,112
	38,283	35,505
Less non-current portion: prepayments (a)	(3,235)	(104)
Current portion	35,048	35,401

(a) Non-current portion of prepayments represents the prepayments for the decoration of right-of-use assets.

Notes to The Condensed Consolidated Interim Financial Information

8 TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables — gross		
— Third parties	45,409	60,264
Less: allowance for doubtful debts (b)	(4,316)	(5,522)
Trade receivables — net (a)	41,093	54,742
Other receivables due from		
— Related parties (Note 23(d))	13,354	6,806
— Other third parties	53,137	13,915
— Disposal of subsidiaries	—	31,821
Other receivables — gross	66,491	52,542
Less: allowance for doubtful debts	(1,200)	—
Other receivables — net	65,291	52,542
	106,384	107,284

Notes to The Condensed Consolidated Interim Financial Information

8 TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 60 days	35,453	47,018
61 days to 180 days	3,459	1,363
Over 181 days	2,181	6,361
	41,093	54,742

- (b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 30 June 2020 was determined and disclosed as below:

30 June 2020	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	—	1.8%	13.2%	27.2%	82.6%	
Gross carrying amount	33,108	5,491	897	1,414	4,499	45,409
Loss allowance	—	99	118	385	3,714	4,316

31 December 2019	Current RMB'000	Up to 60 days past due RMB'000	Up to 120 days past due RMB'000	Up to 180 days past due RMB'000	More than 180 days past due RMB'000	Total RMB'000
Expected loss rate	—	0.1%	2.7%	21.3%	51.0%	
Gross carrying amount	45,466	2,606	520	1,502	10,170	60,264
Loss allowance	—	3	14	320	5,185	5,522

Notes to The Condensed Consolidated Interim Financial Information

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Held-for-trading investments	11,046	3,311

As at 30 June 2020, 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).

(a) Amounts recognised in profit or loss

During the periods, the following losses were recognised in consolidated statement of comprehensive income:

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Fair value losses on equity investments at FVPL recognised in other gains — net	829	—

10 CASH AND CASH EQUIVALENTS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Cash at bank and in hand:		
— Denominated in HKD	11,590	43,241
— Denominated in RMB	366,811	570,377
— Denominated in USD	711,745	699,552
— Denominated in other currencies	134	131
	1,090,280	1,313,301

Notes to The Condensed Consolidated Interim Financial Information

11 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
Six months ended 30 June 2019			
Balance at 1 January 2019 and 30 June 2019	74,611,669,087	150,172	4,454,940
Six months ended 30 June 2020			
Balance at 1 January 2020 and 30 June 2020	74,611,669,087	150,172	4,454,940

12 OTHER RESERVES

	Warrants 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
Six months ended 30 June 2019								
Balance at 1 January 2019	(168)	(254)	18,888	13,914	28,913	1,153	1,152	63,598
Net gain on fair value changes of FVOCI	—	28	—	—	—	—	—	28
Transfer to statutory reserve	—	—	—	—	5,509	—	—	5,509
Exchange differences on translating foreign operations	—	—	—	393	—	—	—	393
Balance at 30 June 2019	(168)	(226)	18,888	14,307	34,422	1,153	1,152	69,528
Six months ended 30 June 2020								
Balance at 1 January 2020	(168)	(223)	18,888	24,291	35,797	1,153	1,152	80,890
Net loss on fair value changes of FVOCI	—	(75)	—	11	—	—	—	(64)
Transfer to statutory reserve	—	—	—	—	3,135	—	—	3,135
Exchange differences on translating foreign operations	—	—	—	13,844	—	—	—	13,844
Balance at 30 June 2020	(168)	(298)	18,888	38,146	38,932	1,153	1,152	97,805

Notes to The Condensed Consolidated Interim Financial Information

13 BORROWINGS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Borrowings included in current liabilities:		
— Other borrowings — unsecured	27,273	53,571

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

14 TRADE PAYABLES

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 60 days	10,071	12,472
61 days to 150 days	1,544	1,993
Over 151 days	838	1,089
	12,453	15,554

The average credit period on purchases of goods is 90 days.

15 OTHER PAYABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Other payables (a)	73,878	260,439
Accrued expenses	7,374	19,993
Provisions for other taxes	2,752	3,252
Amounts due to related parties (Note 23(d))	546	545
	84,550	284,229

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

Notes to The Condensed Consolidated Interim Financial Information

16 EXPENSES BY NATURE

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

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Staff costs	42,376	47,529
Cost of inventories sold	23,439	39,809
Depreciation and amortisation	10,448	13,366
Software usage fees	8,524	—
Advertising and promotion costs	6,958	1,904
Rental expense	2,340	2,395
Travelling expense	1,604	1,992
Legal and professional fees	1,343	1,429
Write-down/(reversal of write-down) of inventories	543	(229)
Reversal of provisions and other payables	—	(1,042)

17 OTHER INCOME

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Income from network equipment usage and maintenance service (Note 23(b))	3,664	3,664
Subleasing income	1,089	1,050
Dividend income from financial assets at FVOCI	29	23
Sundry income	1,335	313
	6,117	5,050

18 OTHER EXPENSES

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Subleasing expenses	916	989
Cost of network equipment usage and maintenance service	—	1,715
	916	2,704

Notes to The Condensed Consolidated Interim Financial Information

19 FINANCE INCOME — NET

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Finance costs:		
— Interest expenses on borrowings	(1,041)	(1,294)
— Interest expenses on lease liabilities	(613)	(628)
	(1,654)	(1,922)
Finance income:		
— Interest income on deposits	7,503	11,219
Finance income — net	5,849	9,297

20 INCOME TAX EXPENSES

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Current income tax		
— Provision for the period	4,610	10,318
— Adjustments for current tax of prior years	(2,305)	(2,810)
	2,305	7,508
Deferred income tax	5,286	(4,548)
	7,591	2,960

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the six months ended 30 June 2020 and 2019.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for a subsidiary of the Group which is entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% (for the six months ended 30 June 2019: 15%) on the estimated assessable profit for the period, based on the existing legislation, interpretations and practices in respect thereof.

Notes to The Condensed Consolidated Interim Financial Information

21 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 period.

	Six months ended	
	30 June 2020	30 June 2019
Profit attributable to owners of the Company (RMB'000)	7,180	53,594
Weighted average number of ordinary shares in issue (thousands)	80,571,604	80,571,604
Basic earnings per share (RMB cents per share)	0.0089	0.0665

The weighted average number of ordinary shares adopted in the calculation of basic earnings per share for the six months ended 30 June 2020 have been adjusted for the impact of the bonus element implicit in the discount for the new shares and the new warrants issued by the Company on 26 October 2015.

(b) Diluted

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

	Six months ended	
	30 June 2020	30 June 2019
Profit attributable to owners of the Company (RMB'000)	7,180	53,594
Weighted average number of ordinary shares in issue (thousands)	80,571,604	80,571,604
Adjustment for share warrants (thousands)	—	1,218,106
Weighted average number of ordinary shares for diluted earnings per share (thousands)	80,571,604	81,789,710
Diluted earnings per share (RMB cents per share)	0.0089	0.0655

The computation of diluted earnings per share does not assume the exercise of the Company's share warrants since the exercise price is higher than the average market price of the shares during the six months ended 30 June 2020.

Notes to The Condensed Consolidated Interim Financial Information

22 COMMITMENTS

(a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Not later than one year	1,091	1,441

23 RELATED PARTY TRANSACTIONS

The Group is controlled by China Evergrande Group ("Evergrande"), which indirectly owns 54% of the Company's shares. Mount Yandang Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited, owns approximately 20% of the shares and the remaining 26% of the shares are widely held. The ultimate holding company of the Company is Evergrande. 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 information, during the six months ended 30 June 2020 and 2019, the Group had the following significant transactions 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
Evergrande	Ultimate holding company
Shenzhen Evergrande Materials and Equipment Co., Ltd. ("深圳恒大材料設備有限公司")	A subsidiary of Evergrande
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
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest

Notes to The Condensed Consolidated Interim Financial Information

23 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
(i) Rental expenses:		
Guangzhou Jiasui Property Co., Ltd.	992	992
Mascotte Investments Limited	655	626
	1,647	1,618
(ii) Revenue from network equipment usage and maintenance service:		
Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	3,664	3,664

(c) Key management compensation

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Key management compensation:		
— Salaries and other benefits	1,924	2,669

Notes to The Condensed Consolidated Interim Financial Information

23 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following significant balances with related parties:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Due from related parties:		
— Evergrande Internet Financial Services (Shenzhen) Co., Ltd.	4,140	2,070
— Hengda Intelligent Technology (Shenzhen) Co., Ltd.	4,736	4,736
— Shenzhen Evergrande Materials and Equipment Co., Ltd.	4,478	—
	13,354	6,806
Due to related parties:		
— A key management personnel (i)	50	49
— Guangzhou Jiasui Property Co., Ltd. (ii)	496	496
	546	545

- (i) Amounts due to a key management personnel were unsecured, interest-free and repayable on demand.
- (ii) Amounts due to this related party represented the rental fee payable and payments of expenses by the ultimate holding company on behalf of the Group, which are unsecured, interest-free and repayable on demand.

Management Discussion and Analysis

During the six months ended 30 June 2020, the Group, as an integrated internet service operator developed with the vision of platform operation, took serving users as its core work and empowering the industry as its direction by fully capitalising on the resource advantages of its two largest shareholders, China Evergrande Group (“**China Evergrande**”) (3333.HK) and Tencent Holdings Limited (“**Tencent Holdings**”) (0700.HK). The long-term vision of the Group has driven the continuous optimisation of its business structure, and the Group has actively explored the optimisation and upgrading of its existing businesses. The Group has also coordinated and promoted the synergetic development of its internet home furnishing business and internet materials business.

FINANCIAL PERFORMANCE SUMMARY

The Group recorded a profit attributable to owners of the Company of approximately RMB7.2 million for the six months ended 30 June 2020, which decreased by approximately RMB46.4 million as compared to a profit attributable to owners of the Company of approximately RMB53.6 million for the six months ended 30 June 2019. The decrease in the profit attributable to owners of the Company for the six months ended 30 June 2020 was mainly due to the novel coronavirus (“**COVID-19**”) pandemic, resulting in corresponding declined business volume and disrupted business operations, which in turn contributed to a segment profit of approximately RMB20.3 million for the six months ended 30 June 2020 as compared to a segment profit of approximately RMB55.1 million for the six months ended 30 June 2019 for the internet community and related businesses.

The basic and diluted earnings per share were RMB0.0089 cents and RMB0.0089 cents for the six months ended 30 June 2020 respectively as compared to the basic and diluted earnings per share of RMB0.0665 cents and RMB0.0655 cents for the six months ended 30 June 2019.

INTERNET COMMUNITY AND RELATED SERVICES

During the six months ended 30 June 2020, the Group conducted its internet community and related services business in the communities across China, and its turnover decreased from approximately RMB136.1 million for the six months ended 30 June 2019 to approximately RMB90.5 million for the six months ended 30 June 2020, comprising revenue from internet home furnishing sector of approximately RMB76.0 million, revenue from internet materials business sector of approximately RMB12.8 million, and revenue from other sectors of approximately RMB1.7 million. The costs of internet community and related services business are mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin of such segment was approximately 62.2%. After deducting selling and marketing costs, administrative and other expenses of approximately RMB36.0 million, the segment recorded a profit of approximately RMB20.3 million.

Management Discussion and Analysis

I. BUSINESS REVIEW

1. Internet Home Furnishing Business

In the first half of 2020, while the Group was improving the functions and services of its online shopping mall, it has also set up more than 260 offline experience sample rooms in the community. With the support of the comprehensive offline marketing system, the Group continuously realised scale development through standardised services. As at 30 June 2020, the Group was operating internet home furnishing business for over 450 projects in more than 200 cities and provided furnishing design and sales proposals to more than 220,000 property owners in the community.

The Group was able to meet customers' consumption needs for one-stop home furnishing with its internet home furnishing business which covers categories including customised furniture, complementary household electric appliances, balcony textile art products and soft decorations, decoration engineering and kitchen supplies. In the first half of 2020, under the increased spending appetite, the Group continued to deepen its cooperation with 25 leading brands in the "Home Furnishing Alliance" to ensure the satisfaction of consumers' demands for high quality products and services. In the meantime, the Group continued to optimize the partner-rating system, conduct comprehensive appraisals upon the products and services provided by the suppliers and persevered in making selections based on qualifications after strict assessment.

The Group also strived to improve the customers' experience in home-marketing, logistics and distribution, installation and after-sales services and to build a standardised service process. At the same time, the Group consolidated typical user profiles from multiple dimensions such as age, education, family background and consumption budget to improve the matching between the user's needs and products and services provided. The Group acquired valuable data through accurate user profiling and precise product style preferences, and launched products under its own brand, serving the dual purposes of reducing product costs and helping small and medium-sized production companies, which underpinned the long-term advantages of the Group's supply system. In addition, by embracing different consumption scenarios of users, the Group effectively understood users' consumption demands and continued to optimise installment payment services for home furnishing consumption.

In the first half of 2020, the economy of Mainland China was adversely affected by the COVID-19 pandemic. Nevertheless, the Group still made proactive strategic adjustments. The Group increased efforts in the research and development of its own products, and offered comprehensive support in terms of product mix, product quality, distribution and installation, after-sales service and other aspects, so as to assist the sales and operation of its partners. In view of the preliminary results achieved by its strategic cooperation with brands such as Kujiale and 3vjia, the Group further enhanced the online experience of its e-commerce channels with respect to VR model rooms and high-quality design cases, and also opened up marketing links for design effects, transactions and orders.

Management Discussion and Analysis

2. Internet Materials Business

The internet materials business of the Group took full advantage of the mature supply chain management system in procurement and bidding, product standards, distribution and supply, quality management and control, cooperation and evaluation, and services of high-quality decorations to effectively consolidate quality resources in the household building materials industry, endeavouring to offer leading integrated household service in the industry that covers building materials, furniture, customisation, home appliances and all categories of soft decorations. The Group has achieved efficient synergy in the whole value chain encompassing product design, production, procurement, sales and construction, resolved common issues in the householding building materials industry such as lack of transparency, low communication efficiency and high costs, and provided quality product and services to consumers, small and medium-sized properties and decoration companies. Leveraging on the extensive volume of actual households and product inventories, the Group provided design proposals for the entire house as well as standardised construction services to enhance the consumption experience of users. At the same time, the Group joined hands with local public welfare and government agencies to raise awareness to the children's growth and care for migrant workers, which effectively enhanced its brand reputation. In addition, in the first half of 2020, the Group continuously provided services for contracted quality city operators in the country, including marketing, warehousing, distribution, installation and after-sales services.

In terms of prices, the Group significantly lowered its procurement cost by leveraging its strengths of economies of scale in centralised procurement and adhering to its "high quality and reasonable price" principle and enjoyed obvious advantages in prices. In terms of categories, the Group prudently selected top household building material brands at the initial stage, and selected quality brands from a home aesthetics angle. At the same time, by making full use of its advantages in resources along the industrial chain and strict quality management system, the Group continued to improve product categories and specifications. Supported by its product selection team, the Group has gradually introduced products under its own brand, covering furniture, bathroom, ceramic tiles, wood flooring and other categories, in order to meet the diverse needs of users with respect to product selection.

In terms of product quality, the Group built a sound quality management system that, on the basis of meeting current national and industry standards, consistently satisfied users' demands for higher standards and achieved dynamic development of the quality management system. In terms of distribution and delivery, the Group built five major stocking and warehousing centres. In addition, the four offline flagship stores are all equipped with small storage systems to meet the needs of users for immediate pickup.

In terms of services, the Group showcased overall decoration designs and construction plans to users to meet their needs for personalised decoration plans, and arranged professional teams to provide on-site measuring scales, plan design, product delivery, on-site construction, installation and other services to meet the needs of users for individualised design, precise matching of floor plans, consistent style throughout the house and other requirements.

In terms of professional teams, the management team of the Group has worked in the home decoration and furniture retail industry for many years with extensive industry resources. At the same time, the professional design teams established by the Group comprised high calibre members from various fields including home decoration design, custom design, and soft decoration design, and is responsible for the formulation and production of standardised design specifications and requirements. In addition, the Group has been preparing to build local professional construction teams in order to meet the needs of users for integrated and packaged services and provide users with high-standard construction services.

Management Discussion and Analysis

3. Smart Community Business

In the first half of 2020, the Group did not carry out such business.

Loan financing

During the six months ended 30 June 2020, no new loan was granted and therefore no interest income was generated for this segment (six months ended 30 June 2019: nil).

Manufacture and sale of accessories

The segment's turnover decreased from approximately RMB28.1 million for the six months ended 30 June 2019 to approximately RMB22.7 million for the six months ended 30 June 2020, representing a decrease of approximately 19.2%.

The gross profit margin recorded approximately 33.3% for the six months ended 30 June 2020, with a slight increase of approximately 0.8 percentage point on average as compared to the gross profit margin for the six months ended 30 June 2019.

II. BUSINESS OUTLOOK

Looking forward, the Group will continue to adapt to new trends, adopt new technologies and explore new channels, so as to realise the transformation and upgrading of online marketing channels, and improve the experience integrating marketing and delivery which boasts "what you see is what you get" for the entire house. The Group will also effectively address issues arising during industry transformation and development, cultivate the core competitiveness for the future, enhance the momentum and resilience for business development, and promote the continuous and positive business development of the Group.

1. Internet Home Furnishing Business

In terms of internet home furnishing business, the Group will build a more effective marketing system from the perspectives of marketing strategy planning, marketing team building, sales promotion policy formulation, channel building and establishment of price system. In addition, the Group will further expand into more categories and strive to provide products covering all categories in the field of home furnishing. In the future, the Group plans to continuously expand the number of communities and user base it serves through regulated management, standardised services and localised marketing.

In order to further expand the coverage of customised, semi-finished products and other categories in sales orders, the Group will increase investment and utilise its accumulated precise customer traffic to promote in-depth cooperation with production companies with the basis of Industry 4.0, and research and develop a "design-production" integrated industry standardised platform to further consolidate design and orders with production end and delivery end, so as to present users with a real "what you see is what you get" experience offering personalised programs and integrated delivery, thereby achieving a higher level of development of the internet home furnishing business.

Management Discussion and Analysis

2. Internet Materials Business

In terms of internet materials business, the Group will continue to enhance online/offline customer flow as well as increasing customer flow access points. The Group will also continuously strengthen content and brand output to achieve precision reach and effective conversion of the target group. In response to users' needs for whole house solutions, the Group will continue to expand its product categories, enrich the categories and SKUs of the products under its own brand, and carry out high-frequency updates and iterations of the products under its own brand, classify different categories into the same design and marketing system to form a holistic space solution for entire house. At the same time, the Group will continue to provide stable services for city operators across the country, leverage on China Evergrande's advantages in supply chain system and centralised procurement scale, in order to provide better services.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the six months ended 30 June 2020, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 30 June 2020, the Group maintained cash and bank balances of approximately RMB1,090.3 million (as at 31 December 2019: approximately RMB1,313.3 million). The decrease in cash and bank balances was mainly attributable to the operations of internet community and related business.

Borrowings and Gearing Ratio

As at 30 June 2020, the Group's net equity amounted to approximately RMB1,162.5 million (as at 31 December 2019: approximately RMB1,141.6 million) with total assets amounting to approximately RMB1,318.7 million (as at 31 December 2019: approximately RMB1,537.8 million). Net current assets were approximately RMB1,127.5 million (as at 31 December 2019: approximately RMB1,100.0 million) and the current ratio was 8.8 times (as at 31 December 2019: 3.8 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings plus lease liabilities) over shareholders' funds was 4.4% (as at 31 December 2019: 6.5%).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates for the six months ended 30 June 2020, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

CHARGE OF ASSETS

As at 30 June 2020, the Group did not have any charges on assets (as at 31 December 2019: nil).

Management Discussion and Analysis

COMMITMENT

As at 30 June 2020, the Group did not have any capital commitment (as at 31 December 2019: nil).

CONTINGENT LIABILITIES

The Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 30 June 2020 (as at 31 December 2019: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi (“RMB”) during the six months ended 30 June 2020. The internet community service business is mainly carried out in RMB in Mainland China. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the six months ended 30 June 2020, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities during the six months ended 30 June 2020.

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 or indirectly, subsisted during or at the end of the six months ended 30 June 2020.

Management Discussion and Analysis

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

As at 30 June 2020, the interest and short position of the Directors of the Company in any shares, underlying shares or 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"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

Interests of shares in the Company

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of shareholding of the Company
Mr. Wan Chao	Beneficial Owner	35,800,000 (Note 1)	0.05%

Note:

- (1) As at 30 June 2020, Mr. Wan Chao was interested in 35,800,000 shares of the Company, of which 31,400,000 shares was directly held by Mr. Wan Chao and 4,400,000 shares were deemed interests held through his spouse, Ms. Hu Zhengrong.

Interests of shares in the Associated Corporation – China Evergrande Group (Note 1)

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of shareholding of the associated corporation
Mr. Chau Shing Yim, David	Beneficial Owner	1,000,000 (Note 2)	0.01%
Mr. Huang Xiangui	Beneficial Owner	5,300,000 (Note 3)	0.04%
Mr. Liu Yongzhao (resigned on 26 June 2020)	Beneficial Owner	26,100,000 (Note 4)	0.20%
Mr. Xu Wen	Beneficial Owner	2,500,000 (Note 5)	0.02%

Notes:

- (1) China Evergrande Group is a holding company of the Company.
- (2) Mr. Chau Shing Yim, David directly held 1,000,000 shares of China Evergrande Group.
- (3) Mr. Huang Xiangui was interested in 5,300,000 shares of China Evergrande Group, all of which were represented by share options.
- (4) Mr. Liu Yongzhao was interested in 26,100,000 shares of China Evergrande Group, of which 20,600,000 shares were represented by share options and 5,500,000 shares were directly held by Mr. Liu Yongzhao.
- (5) Mr. Xu Wen was interested in 2,500,000 shares of China Evergrande Group, all of which were represented by share options.

Management Discussion and Analysis

Interests of shares in the Associated Corporation – China Evergrande New Energy Vehicle Group Limited (Note 1)

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of shareholding of the associated corporation
Mr. Liu Yongzhuo (resigned on 26 June 2020)	Beneficial Owner	195,000 (Note 2)	0.00%

Notes:

(1) The change of name from “恒大健康產業集團有限公司 Evergrande Health Industry Group Limited” to “中國恒大新能源汽車集團有限公司 China Evergrande New Energy Vehicle Group Limited” took effect on 20 August 2020. China Evergrande New Energy Vehicle Group Limited is a subsidiary of China Evergrande Group.

(2) Mr. Liu Yongzhuo directly held 195,000 shares of China Evergrande New Energy Vehicle Group Limited.

Save as disclosed above, as at 30 June 2020, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Management Discussion and Analysis

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2020, 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	60.48%
Solution Key Holdings Limited (Note 1)	40,417,570,910	4,706,459,934	45,124,030,844	Beneficial owner	60.48%
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%

Notes:

(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 30 June 2020, 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.

Management Discussion and Analysis

SHARE-BASED PAYMENTS

2013 Option Scheme

The Company's share option scheme (the "**2013 Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Option Scheme is to provide incentives to eligible participants. During the six months ended 30 June 2020, no option had been granted and there was no outstanding share option of the Company as at 30 June 2020 (as at 31 December 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed approximately 365 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the six months ended 30 June 2020, including directors' emoluments, amounted to approximately RMB42.4 million.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

REVIEW OF INTERIM RESULTS

The interim financial information of the Company for the six months ended 30 June 2020 has been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group, and discussed legal and compliance, internal controls, risk management and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Management Discussion and Analysis

CORPORATE GOVERNANCE

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020 except for the following deviations from the Code provision:

- Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2020, 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.
- Code provision E.1.2 stipulated that the chairman of the board should attend the annual general meeting. Mr. Xu Wen, the chairman of the Board, was unable to attend the annual general meeting held on 15 June 2020 due to immigration restrictions under the COVID-19 pandemic. Mr. Chau Shing Yim, David (an independent non-executive director, the chairman of the Audit Committee and the chairman of the Remuneration Committee) attended the 2020 annual general meeting and served as the chairman of the meeting. The Board believes that Mr. Chau Shing Yim, David has sufficient ability and knowledge to answer questions at the 2020 annual general meeting. Therefore, the good communication established between the Company and the shareholders is not affected.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company, having made specific and cautious enquiries, confirmed that all Directors had complied with the Model Code for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

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

Management Discussion and Analysis

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

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

Hong Kong, 24 August 2020