SkyNet Group Limited
航空互聯集團有限公司

(formerly known as EDS Wellness Holdings Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8176)

Annual Report 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This annual report, for which the directors (the "**Directors**" and each the "**Director**") of SkyNet Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.*

This annual report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.skynetgroup.com.hk.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Zhaoyang *(Chairman and Chief Executive Officer) (appointed as an executive Director, the Chairman and the Chief Executive Officer on 23 November 2015)*
Mr. Chan Kin Wah, Billy *(appointed as the Chairman on 19 January 2015 and ceased to act as the Chairman on 23 November 2015)*
Mr. Lee Chan Wah
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*
Mr. Wang Shangzhong *(resigned on 19 January 2015)*

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Mr. Tse Joseph

COMPANY SECRETARY

Ms. Wang Jing *(appointed on 23 November 2015)*
Ms. So Man Yee *(resigned on 23 November 2015)*

COMPLIANCE OFFICER

Mr. Chan Kin Wah, Billy *(appointed on 19 January 2015)*
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Lee Chan Wah
Mr. Chan Kin Wah, Billy *(appointed on 19 January 2015)*
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*

REMUNERATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Kin Wah, Billy
Mr. Tse Joseph
Mr. Cai Zhaoyang *(appointed on 23 November 2015 and ceased on 11 March 2016)*
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Tam B Ray, Billy
Mr. Tse Joseph

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Kin Wah, Billy
Mr. Tam B Ray, Billy
Mr. Cai Zhaoyang *(appointed on 23 November 2015 and ceased on 11 March 2016)*
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*

SPECIAL INVESTIGATION COMMITTEE

Mr. Chan Kin Wah, Billy *(Chairman)*
Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Mr. Tse Joseph
Mr. Yu Zhen Hua Johnny *(resigned on 19 January 2015)*

PRINCIPAL BANKERS

China CITIC Bank International Limited
Chong Hing Bank Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3811, 38/F.
Shun Tak Centre, West Tower
168–200 Connaught Road Central
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Dentons Hong Kong

As to Bermuda Law
Conyers Dill and Pearman

As to PRC Law
Guantao Law Firm

WEBSITE

www.skynetgroup.com.hk

STOCK CODE

8176

CHAIRMAN'S STATEMENT

Dear Shareholders,

I present herewith the audited consolidated financial statements of the Group for the year ended 31 December 2015. As disclosed in the announcement of the Company dated 15 October 2014, the Group's financial year end date has been changed from 30 June to 31 December, effective from the financial year ended 31 December 2014. Accordingly, the current financial year, which covered a twelve-month period from 1 January 2015 to 31 December 2015, is the first full financial year after the change of financial year end date. The comparative amounts shown in the audited consolidated financial statements cover the Group's six months of operation from 1 July 2014 to 31 December 2014.

As mentioned in the Company's annual report for the six months ended 31 December 2014, the management of the Company noted detrimental factors affecting the local retail market in Hong Kong, including the slowdown of the growth of mainland China visitors to Hong Kong and the weakening of tourists' spending powers. On 17 February 2015, the Company and six subscribers, namely Xing Hang Limited ("**Xing Hang**"), Goldenland Mining & Investment Limited ("**Goldenland**"), Silver Empire Holding Limited ("**Silver Empire**"), Truly Elite Limited ("**Truly Elite**"), High Aim Global Limited ("**High Aim**") and First Bonus International Limited ("**First Bonus**") (collectively, the "**Subscribers**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 375,000,000 shares of the company (the "**Subscription Shares**"), comprising 345,000,000 ordinary shares (the "**Ordinary Subscription Shares**") and 30,000,000 convertible preferred shares of the Company (the "**Preferred Shares**"), to the Subscribers, at an issue price of HK$0.4 per Subscription Share (the "**Subscription**"). The entering into of the Subscription Agreement represents a good opportunity for the Group to (i) raise a substantial amount of additional funds, which provides the Group with the financial flexibility necessary for future business development in the new business (the "**New Business**" or "**WIFI Business**") of the provision of in-flight WLAN and WIFI engineering and service business in parallel to its existing business; (ii) improve its financial position and liquidity; and (iii) leverage the expertise and business network of Xing Hang to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC. Given such market condition, the Directors are of the view that the Subscription represents a valuable opportunity for the Group to bring in the Subscribers as strategic investors.

On 30 October 2015, the Subscription was approved at the special general meeting of the Company. On 6 November 2015, completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement has taken place, and the Subscription Shares have been allotted and issued to the Subscribers. On 3 December 2015, the Group has announced that an indirect wholly-owned subsidiary of the Company has entered into a cooperation agreement (the "**Cooperation Agreement**") with an airline company (the "**Airline**") in the PRC, pursuant to which the Group has agreed to, among other things, provide and install the in-flight WLAN and WIFI connection equipment in an agreed number of the Airline's aircraft in return for sharing certain income generated from the use of the in-flight WLAN and WIFI connection equipment by passengers of the Airline. Please refer to the Company's announcement dated 3 December 2015 for details. This is a milestone in the development of the New Business. On 28 January 2016, the Central of Southern Regional Administration of Civil Aviation Administration of China (the "**CAAC**") granted the Parts Manufacturers Approval for in-flight WLAN equipment to Donica Connectivity Technology Co. Ltd. ("**Donica Connectivity**"), an indirect wholly-owned subsidiary of the Company. The Group will continue to develop the New Business in 2016.

Pursuant to a special resolution passed at the special general meeting of the Company held on 25 January 2016 and an approval granted by the Registrar of Companies in Bermuda, the English name of the Company has been changed from "EDS Wellness Holdings Limited" to "SkyNet Group Limited" with effect from 29 January 2016 and the Company's adoption of its secondary name of "航空互聯集團有限公司" has also become effective on the same date.

Finally, I would like to thank our board of Directors (the "**Board**"), management and staff for their contribution to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continuous supports.

Cai Zhaoyang
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 21 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END

As disclosed in the announcement of the Company dated 15 October 2014, the financial year end date of the Group has been changed from 30 June to 31 December, commencing from the financial year ended 31 December 2014. Accordingly, the current financial year which covered from 1 January 2015 to 31 December 2015 is the first full year after the change of financial year end date. Accordingly, the comparative amounts shown in the audited consolidated financial statements covering the Group's six months of operation from 1 July 2014 to 31 December 2014 are not entirely comparable with the amounts for the financial year ended 31 December 2015 which cover the Group's twelve months of operation.

BUSINESS REVIEW

The Group is principally engaged in the sale of beauty products and provision of therapy services (collectively, the "**Beauty Business**"), as well as the provision of in-flight WLAN and WIFI engineering and service business (the "**WIFI Business**" or "**New Business**"). For the sale of beauty products, the Group offers a variety of beauty products under the brand name "Evidens de Beauté", and a variety of medical skincare products, including the brand "Activa". For the provision of therapy services, the Group operates a medical skincare centre under the trade name "COLLAGEN+" at Soundwill Plaza in Causeway Bay. For the New Business, the Group plans to source and enter into contracts with airline companies to provide them with in-flight WLAN and WIFI engineering and services, including the provision of WLAN and WIFI equipment and technical support for installation. Depending on the mode of cooperation with the airline companies, the Group may or may not charge the airline companies for the provision of WLAN or WIFI equipment to them but may earn/share any income from the use of the WLAN or WIFI systems for advertising or shopping on the airplanes. In addition to the PRC, the Group has also appointed a sales presentative in Singapore which will target airline companies in South-East Asia.

For the year under review, the New Business was still at its start-up stage. The Group has been developing its own software platform and applying for certifications and approvals which are necessary for the Group to engage in inflight WLAN and WIFI communication equipment design and manufacturing business in the PRC. The Group entered into the Cooperation Agreement with the Airline on 3 December 2015, pursuant to which the Group has agreed to provide and install inflight WLAN and WIFI connection equipment in an agreed number of the Airline's aircraft in return for sharing certain income generated from the use of the in-flight WLAN and WIFI connection equipment by passengers with a guaranteed minimum payment to the Airline. As the Group is still in the process of installing in-flight WIFI and WLAN equipment on the contracted aircraft, a revenue of HK$0.8 million and a gross loss of HK$13.8 million have been recognised for the financial year ended 31 December 2015. On 28 January 2016, the Central of Southern Regional Administration of the CAAC granted the Parts Manufacturers Approval for in-flight WLAN equipment to Donica Connectivity, an indirect wholly-owned subsidiary of the Company. The Group will continue to develop the New Business in 2016.

During the year under review, as the growth of the number of Mainland visitors to Hong Kong declined during the year under review and their spending power has been adversely affecting the whole retail sector in Hong Kong since 2014, the performance of the sale of beauty products and provision of therapy services under the brand name "Evidens de Beauté" was not satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to the adverse market conditions, the Group had implemented the following measures for its operations under the brand name “Evidens de Beauté” during the year under review, including (a) to transit the existing direct selling model of beauty products under the brand name “Evidens de Beauté” to a high volume but low cost wholesale model; (b) to cease the provision of facial sahos, body treatments and wellness massages services under the brand name “Evidens de Beauté” at the beauty centre at Lyndhurst Terrace in Central in order to reduce the Group’s headcount; (c) to maintain the beauty centre at Lyndhurst Terrace as the Group’s sales office for “Evidens de Beauté” beauty products; and (d) to early terminate the tenancy agreement of the Group’s sales office in Kwun Tong by the end of November 2015 and relocate the staff of the Kwun Tong sales office to the beauty centre at Lyndhurst Terrace in order to reduce the Group’s fixed overheads. Since the Group is not optimistic on the performance of the retail market in Hong Kong in 2016, the Board has no intention to renew the tenancy agreement of the beauty centre at Lyndhust Terrace upon its expiration on 31 March 2016.

For the year under review, the performance of the Beauty Business as a whole has met the expectation of the Board. The Beauty Business contributed approximately HK$46.2 million to the total turnover of the Group for the year ended 31 December 2015, of which approximately HK$40.8 million and HK$5.4 million were derived from the provision of therapy services and sale of beauty products respectively. The Beauty Business contributed approximately HK$13.0 million gross profit to the Group, with a positive gross margin of 28.1%.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$47.0 million (for the six months ended 31 December 2014: approximately HK$22.1 million), of which approximately HK$5.4 million (for the six months ended 31 December 2014: approximately HK$1.7 million), HK$40.8 million (for the six months ended 31 December 2014: approximately HK$20.4 million) and HK$0.8 million (for the six months ended 31 December 2014: Nil) were generated from the sale of beauty products, provision of therapy services and the WIFI Business respectively.

The Beauty Business in aggregate contributed approximately HK$46.2 million to the turnover of the Group, representing approximately 98.3% of the turnover, of which approximately HK$5.4 million and HK$40.8 million were generated from the sale of beauty products and provision of therapy services respectively. The WIFI Business contributed approximately HK$0.8 million to the turnover of the Group, representing approximately 1.7% of the turnover.

During the year under review, other income of approximately HK$0.3 million (for the six months ended 31 December 2014: approximately HK$3.4 million) was mainly contributed by interest income on bank deposits.

For the year ended 31 December 2015, the negative gross margin was approximately 1.8% (for the six months ended 31 December 2014: positive gross margin of 31.4%). The Beauty Business in aggregate contributed approximately HK$13.0 million gross profit to the Group, while the WIFI Business recorded a gross loss of approximately HK$13.8 million. The decrease in gross margin is mainly due to the loss generated by the WIFI Business. The WIFI Business is still at its start-up stage and the Group is in the process of installing WIFI and WLAN equipment on the contracted aircraft under the Cooperation Agreement. The installation is expected to be completed in June 2016.

The selling and distribution costs for the year ended 31 December 2015 was approximately HK$6.9 million (for the six months ended 31 December 2014: approximately HK$0.9 million). The Beauty Business and the WIFI Business accounted for approximately 31.9% or HK$2.2 million and approximately 68.1% or HK$4.7 million of the total selling and distribution costs, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The administrative expenses for the year ended 31 December 2015 was approximately HK$30.2 million (for the six months ended 31 December 2014: approximately HK$54.4 million). The administrative expenses of the Beauty Business accounted for approximately HK$12.4 million or 41.1% of the total administrative expenses. Such expenses mainly comprises staff costs of HK$4.8 million, depreciation expenses of HK$2.9 million and other administration expenses of HK$4.7 million. The administrative expenses of the WIFI Business accounted for approximately HK$6.5 million or 21.5% of the total administrative expenses. Such expenses mainly comprises staff costs of HK$2.5 million, overseas travelling expenses of HK$1.2 million and other administration expenses of HK$2.8 million. In addition, the Group also incurred legal and professional expenses amounted to HK$7.8 million for the purposes of, among others, (i) the issue of the Subscription Shares, comprising 345,000,000 Ordinary Subscription Shares and 30,000,000 Preferred Shares, at an issue price of HK$0.4 per Subscription Share pursuant to the Subscription Agreement entered into among the Company and the six Subscribers, namely Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, on 17 February 2015 and (ii) the legal proceedings disclosed in the paragraph headed "Litigation" in this report.

The finance costs for the year ended 31 December 2015 of approximately HK$1.0 million (for the six months ended 31 December 2014: approximately HK$1.2 million) was mainly attributed to (i) the loan interest expenses paid to Koffman Investment Limited ("**KIL**") of approximately HK$0.1 million; (ii) the loan interest expenses paid to Pure Profit Holdings Limited ("**Pure Profit**") of approximately HK$0.4 million; and (iii) the imputed interest arisen from the issuance of promissory note of approximately HK$0.4 million during the period under review.

The consolidated loss amounted to approximately HK$39.7 million for the year ended 31 December 2015 (for the six months ended 31 December 2014: approximately HK$47.0 million), of which a loss of approximately HK$2.8 million (for the six months ended 31 December 2014: a profit of HK$5.9 million), HK$25.0 million (for the six months ended 31 December 2014: Nil) and HK$11.9 million (for the six months ended 31 December 2014: a loss of HK$41.1 million) were incurred by the Beauty Business, the WIFI Business and general corporate activities, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the total borrowings and other financial liabilities of the Group amounted to approximately HK$10.6 million (as at 31 December 2014: approximately HK$10.4 million). The total borrowings and other financial liabilities are repayable within one year.

As at 31 December 2015, the Group had total assets of approximately HK$211.5 million (31 December 2014: approximately HK$90.4 million), including cash and cash equivalents of approximately HK$116.1 million (31 December 2014: approximately HK$26.6 million).

During the year under review, the Group financed its operation with internally generated cash flows and proceeds derived from the issuance of the Subscription Shares under the Subscription Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

(a) Subscription of Ordinary Subscription Shares and Preferred Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and the Subscribers conditionally agreed to subscribe for an aggregate of 345,000,000 Ordinary Subscription Shares of par value of HK$0.10 each and 30,000,000 Preferred Shares of par value of HK$0.10 each in the share capital of the Company. Completion of the Subscription took place on 6 November 2015 and the Subscribers subscribed 345,000,000 Ordinary Subscription Shares and 30,000,000 Preferred Shares at an issue price of HK$0.40 per share and the Company received an aggregated consideration of HK$150.0 million.

The net proceeds from the Subscription is HK$135.0 million and as at 31 December 2015, the Company utilised approximately HK$16.0 million and approximately HK$3.0 million for acquiring equipment and developing the New Business respectively. The Company intends to apply the remaining balance of approximately HK$109.0 million and HK$7.0 million to the New Business and general working capital of the Group, respectively.

As at 31 December 2015, the Company's total number of issued ordinary shares and issued convertible preferred shares were 419,803,000 (as at 31 December 2014: 74,803,000) and 30,000,000 (as at 31 December 2014: Nil), respectively.

(b) Borrowings and other financial liabilities

As at 31 December 2015, the total borrowings and other financial liabilities of the Group amounted to approximately HK$10.6 million (as at 31 December 2014: approximately HK$10.4 million), representing:

(i) a borrowing from KIL of approximately HK$3.8 million, which is unsecured, interest bearing at 5% per annum and maturing on 30 June 2016;

(ii) a borrowing from Pure Profit of approximately HK$2.5 million, which is unsecured, interest bearing at 10% per annum and maturing on 10 June 2016; and

(iii) the obligations under finance leases of approximately HK$4.34 million, of which (a) HK$4.3 million is interest bearing at 1.2% per annum and secured by a deposit from Century Finance Limited and the Group's title to the leased assets, and (b) HK$0.04 million is non-interest bearing and secured by the Group's title to the leased assets.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to total assets, was approximately 3.2% (31 December 2014: approximately 11.5%). The improvement of gearing ratio was mainly contributed by the (i) increase in the total assets of the Group as a result of the completion of the Subscription and (ii) repayment of the borrowings indebted to KIL during the year under review.

PLEDGE OF ASSETS

As at 31 December 2015, the Group's restricted bank deposits of approximately HK$12.7 million (as at 31 December 2014: approximately HK$19.7 million) were deposits held at banks in respect of credit card and instalment sales arrangement of its sale of beauty products and provision of therapy services business.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

COMMITMENTS

As at 31 December 2015, the Group had operating lease commitments and capital commitments of approximately HK$13.4 million (as at 31 December 2014: approximately HK$4.5 million) and approximately HK$8.3 million (as at 31 December 2014: Nil), respectively.

CONTINGENT LIABILITIES

As at 31 December 2015, save as disclosed in note (a) under the paragraph headed "Litigation" in this annual report, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2015, the Group had 111 employees (as at 31 December 2014: 55 employees). Total staff costs for the year ended 31 December 2015 amounted to approximately HK$34.0 million (for the six months ended 31 December 2014: approximately HK$8.1 million). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme and the employees in the PRC joined the national statutory social security insurance scheme.

SIGNIFICANT INVESTMENT

The Group did not have any significant investment during the year ended 31 December 2015.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries, associates or affiliated companies during the year ended 31 December 2015.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

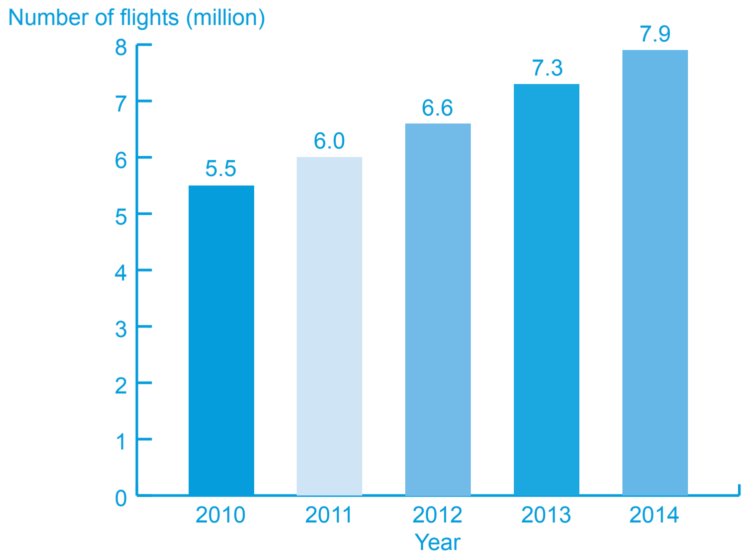
The Group does not have any concrete plan for material investments or capital assets for the coming year.

OUTLOOK

With a slump in Hong Kong retail sales by 3.7% from January 2015 to December 2015, the Board does not expect any growth in the Group's sale of beauty products and provision of therapy services in 2016. As disclosed in the circular of the Company in relation to, among other things, the Subscription, dated 7 October 2015, the Board believes that the New Business will provide the Group with a good opportunity to improve its financial position and liquidity and the development of the New Business in a segment different from the existing business of the Group will diversify and broaden its revenue sources and improve its profitability in the long run.

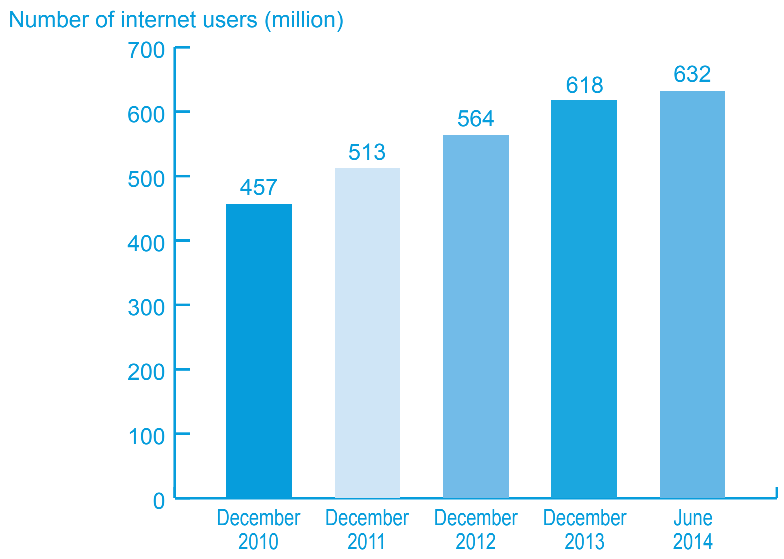
MANAGEMENT DISCUSSION AND ANALYSIS

The in-flight WIFI service business in the PRC are still at the start-up stage. State-owned Chinese airlines have started in-flight WIFI service trials but such in-flight WIFI services have not yet been put into mass commercial use. With regard to the growth in the air travel industry, based on the statistics issued by the Civil Aviation Administration of China, there were approximately 7.9 million flights took place during the year of 2014 as compared to approximately 7.3 million flights in 2013. During 2010–2014, the growth in the number of flights in the PRC recorded a compound annual growth rate of approximately 9.5%. Set out below are the numbers of flights in the PRC from 2010 to 2014:



Source: Civil Aviation Administration of China

With regard to the use of internet in the PRC, by the end of June 2014, the PRC had approximately 632 million internet users, representing an increase of approximately 14.42 million as compared with that at the end of 2013. During 2010–2013, the growth of the number of internet users recorded a compound annual growth rate of approximately 8.4%. Set out below is the number of internet users from 2010 to 2014:



Source: Civil Internet Network Information Center

MANAGEMENT DISCUSSION AND ANALYSIS

With the increasing number of flights and the internet users in the PRC, the Company believes that there will be considerable demand of in-flight WIFI service.

WIFI connection and telecommunication have become a trend in ground-air connectivity for European and American airlines in recent years. The European Union has already approved in-flight cell phone calls, SMS, and email services in its airspace. Various countries are paying increasing attention to this market. It is reported that nearly all of the major American airlines now provide internet access for ground-air connectivity, with service charges ranging from USD5.00 to USD9.00 per hour.

In view of the increasingly fierce global competition of the civil aviation market, the Company understands that Chinese airline companies are also considering providing internet access services similar to what their foreign counterparts are currently doing. To date, certain state-owned Chinese airlines have started in-flight WIFI service trials, indicating that the Chinese civil aviation industry has realized the demand for ground-air connectivity and the inconvenience that information isolation during flights may bring.

Compared to the booming of in-flight WIFI service abroad, such services in the PRC are still at the start-up stage, and have not yet been put into mass commercial use. The CAAC, which is the Chinese civil aviation authority, forecast that the number of air travelers in the PRC would reach approximately 430 million in 2015, representing a 10.10% year-on-year increase.

According to a statistical report issued by China Internet Network Information Center (being an organization set up by the Computer Network Information Center of Chinese Academy of Sciences pursuant to a decision of the Office of the Information Work Leading Group of the State Council of the PRC responsible for (i) the operation and administration of the internet in the PRC; (ii) security of the internet in the PRC; (iii) research on internet development and technology; (iv) provision of consultancy services; and (v) promotion of global cooperation and exchange of internet technology) in July 2014, by the end of June 2014, the PRC had 632 million internet users, representing an increase of 14.42 million as compared with that at the end of 2013. The internet penetration rate was 46.9%, representing a growth of 1.1% as compared with that at the end of 2013. In the first half of 2014, internet users who surfed the internet via mobile phones rose from 81.0% to 83.4% during such period.

As the majority of the PRC's air passengers are now frequent flyers, the Company believes that in-flight WIFI services will become an increasingly influential factor for many passengers when making flight purchase decisions and therefore it is expected that Chinese airline companies will allocate more resources to introduce new innovative services, such as in-flight shopping, through in-flight WIFI service that enhance passengers' travel experience. As such, the Company believes that there are good opportunities to develop business relating to the New Business in the PRC which will facilitate the provision of in-flight WLAN or WIFI connections.

LITIGATION

(a) On 23 January 2015, the Company received a writ of summons in relation to the High Court Action No. 200 of 2015 ("**HCA No. 200 of 2015**") issued by Mr. Shum Yeung ("**Mr. Shum**"), as the plaintiff, against the Company, as the defendant, for the following claims:

(i) the judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the "**Summary Judgment**"), pursuant to which the Court of First Instance of the High Court of Hong Kong (the "**Court**") adjudged that Mr. Shum (a) shall pay the Company the sum of HK$39,128,000 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s.48 of High Court Ordinance (Cap.4 of the Laws of Hong Kong) (the "**High Court Ordinance**") until payment (the "**Judgment Debt**"); and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;

(ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgment being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the Summary Judgment;

(iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the Court may deem just pursuant to the High Court Ordinance;

(v) the cost; and

(vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the Court filed by Mr. Shum in relation to HCA No. 200 of 2015 to claim against the Company for: (i) the Summary Judgment be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgment against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgment; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, the Company filed a defence to refute the statement of claim in that action on the basis, among others: that (i) Mr. Shum was bound by the Summary Judgment; and (ii) the Company denied the allegations raised against the Company by Mr. Shum in the statement of claim. After the 23 September 2015 Hearing (as defined below), the Company on 10 December 2015 filed an inter parties summons for an application to strike out the writ of summons and statement of claim filed by Mr. Shum in relation to HCA No. 200 of 2015. A substantive hearing of such application has been fixed to be held on 8 June 2016.

(b) On 19 May 2015, the Board announced that the Company commenced legal proceedings (the "**May Proceedings**") in the Court against Mr. Shum as the 1st Defendant, E In International Group Limited as the 2nd Defendant, E In Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant ("**HCA No. 1234 of 2015**") for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(i) Mr. Shum's interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the "**Shares**") which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(ii) the solicitors for the Company shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;

(iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (b)(i) and (b)(ii) above by Mr. Shum or by the Registrar of the Court;

(iv) the Company shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgment Debt (together with interest) under the Summary Judgment; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(v) further or alternative to paragraphs (b)(i), (b)(ii) and (b)(iii) above, a receiver be appointed to (a) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgment Debt (together with interest) under the Summary Judgment; and

(vi) the costs of the May Proceedings to the Company.

The hearing of the May Proceedings had originally been fixed on 25 June 2015. On 19 June 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the May Proceedings pending the determination of HCA No. 200 of 2015 (the "**Application for stay of the May Proceedings**"). Upon the consent of the parties, the court ordered that the May Proceeding and the Application for stay of the May Proceedings be adjourned to be heard together on 23 September 2015.

The 23 September 2015 Hearing

During the hearing on 23 September 2015 (the "**23 September 2015 Hearing**"), the Company agreed to withhold the enforcement of the Summary Judgment pending the resolution of HCA No. 200 of 2015 in which a writ of summons was issued by Mr. Shum as the plaintiff against the Company as the defendant for, inter alia, setting aside the Summary Judgment, on the condition that Mr. Shum shall pay the judgment sum together with interest accrued under the Summary Judgment into Court. It was therefore ordered by the Court (the "**23 September 2015 Order**") that unless either:

(i) Mr. Shum was able to provide a guarantee to secure the judgment sum of HK$47,767,709.60, being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgment (the "**Judgment Sum**"), which was agreed by the Company in writing or approved by the Court; or

(ii) alternatively, Mr. Shum paid the Judgment Sum into Court,

within a period of 28 days from the date of the 23 September 2015 Order, the order by the Court for the appointment of receivers by way of equitable execution over (a) all the Shares; and (b) all Mr. Shum's interests, benefits and/or rights in the Properties (as defined below).

On 19 October 2015, the Company was served with a summons taken out by Mr. Shum seeking for a further extension of 14 days from the original 28 days from the date of the 23 September 2015 Order. At the hearing on 20 October 2015, it was ordered by the Court that the period of 28 days from the date of the 23 September 2015 Order be extended for 14 days to 5 November 2015.

On 2 November 2015, it was ordered by the Court that the draft bank guarantee provided by Mr. Shum for the purpose of securing the Judgment Sum was not approved.

On 5 November 2015, the Company received a notice from Mr. Shum's solicitors that Mr. Shum had paid HK$47,767,709.60 into the Court in compliance with the 23 September 2015 Order. Under the 23 September 2015 Order, upon the payment into the Court by Mr. Shum, the order for the appointment of receivers as mentioned above shall be forthwith discharged.

(c) On 9 June 2015, the Board announced that the Company commenced legal proceedings (the "**June Proceedings**") in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(i) Mr. Shum's interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the "**First Property**"); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the "**Second Property**"); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the "**Third Property**") (collectively as the "**Properties**") which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(ii) the solicitors for the Company shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;

(iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (c)(i) and (c)(ii) above by Mr. Shum or by the Registrar of the Court;

(iv) the Company shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the Judgment Debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(v) the Company shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the Judgment Debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(vi) further or alternative to paragraphs (c)(i), (c)(ii) and (c)(iii) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;

(vii) such further and/or other directions as the Court shall deem fit; and

(viii) the costs of the June Proceedings to the Company.

The hearing of the June Proceedings had been fixed on 9 July 2015. On 2 July 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the June Proceedings pending the determination of HCA No. 200 of 2015 (the "**Application for stay of the June Proceedings**"). At the hearing held on 9 July 2015, the Court ordered that the June Proceedings and the Application for stay of the June Proceedings be adjourned to be heard together on 23 September 2015. The details of the hearing on 23 September 2015 are set out in the paragraph headed "The 23 September 2015 Hearing" under note (b) above.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Cai Zhaoyang ("**Mr. Cai**"), aged 39, has been appointed as the chairman of the Company (the "**Chairman**"), the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director with effect from 23 November 2015. Mr. Cai holds a Bachelor Degree in Microwave Communications from Xi'an University of Electronic Science and Technology. Mr. Cai has extensive experiences and expertise in the avionic engineering and service business and the telecommunications industries in the PRC. Mr. Cai is the controlling shareholder (as defined in the GEM Listing Rules) and a director of Shenzhen Donica Electronic Technology Co., Ltd. ("**Shenzhen Donica**"). Mr. Cai is also the controlling shareholder (as defined in the GEM Listing Rules) and the sole director of Xing Hang, as well as the controlling shareholder (as defined in the GEM Listing Rules) of the Company. Mr. Cai also serves as a deputy director and a council member of Shenzhen Institute of Avionics Technology（深圳市航電技術研究院）, a non-state owned institute established by Mr. Cai focusing on, among others, (i) technology research in the field of avionics; and (ii) research in the standards for avionics technology.

Mr. Chan Kin Wah, Billy ("**Mr. Chan**"), aged 53, joined the Company as an executive Director on 5 August 2014 and was appointed as the Chairman on 19 January 2015, which he ceased to act with effect from 23 November 2015. He is also a compliance officer of the Company, an authorised representative of the Company and the chairman of the special investigation committee of the Board (the "**Special Investigation Committee**") and a member of both the nomination committee of the Board (the "**Nomination Committee**") and remuneration committee of the Board (the "**Remuneration Committee**"). He has over 25 years of experience in accounting and financial control. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Chan holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia. Mr. Chan is an executive director and the company secretary of Eternity Investment Limited (stock code: 764), a company listed on the Main Board of the Stock Exchange. Eternity Investment Limited is a substantial shareholder (as defined in the GEM Listing Rules) of the Company.

Mr. Lee Chan Wah ("**Mr. Lee**"), aged 47, was firstly appointed as the company secretary of the Company on 13 February 2012 and further appointed as executive Director on 16 August 2012. He resigned as the company secretary on 9 September 2013 and is presently an authorised representative of the Company. Mr. Lee has over 20 years of experience in the field of auditing, accounting and finance. He holds a Bachelor of Business Administration degree from the Hong Kong Baptist University. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam B Ray, Billy ("**Mr. Tam**"), aged 47, joined the Company as an independent non-executive Director on 5 March 2012. He is also a member of each of the audit committee of the Board (the "**Audit Committee**"), the Nomination Committee and the Special Investigation Committee. Mr. Tam has been a practicing solicitor in Hong Kong for over 20 years. He holds a Bachelor of Laws degree from the University of London, a Bachelor degree in laws of the People's Republic of China from Tsinghua University and a Master of Laws degree from the University of Hong Kong. Mr. Tam is a partner of Messr. Ho & Tam. He has been an independent non-executive directors of China Fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange, since 2007. Mr Tam has also been a non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on GEM of the Stock Exchange, from December 2010 to September 2014 and Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange, since 2011.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Chu King Wang, Peleus ("**Mr. Chu**"), aged 52, joined the Company as an independent non-executive Director on 5 March 2012. He is also the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee and a member of the Special Investigation Committee. Mr. Chu has over 25 years of experience in auditing, accounting and financial management for both private and listed corporations. He graduated from the University of Hong Kong with a Master Degree in Business Administration. Mr. Chu is a fellow practising member of the Hong Kong Institute of Certified Public Accountants (FCPA (Practising)) and fellow member of the Association of Chartered Certified Accountants (FCCA). He is also an associate member of both the Institute of Chartered Secretaries and Administrators (ACIS) and the Hong Kong Institute of Chartered Secretaries (ACS). Mr. Chu has been an executive director of Chinese People Holdings Company Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange, since December 2008 and appointed as the deputy chairman with effect from 23 March 2015. He has been appointed as an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236), a company listed on the Main Board of the Stock Exchange for the period from June 2015 to September 2015. Mr. Chu has also has appointed as non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange since August 2015. He has also been an independent non-executive director of each of Eyang Holdings (Group) Co., Limited (stock code: 117), Huayu Expressway Group Limited (stock code: 1823), Flyke International Holdings Ltd. (stock code: 1998) and China Vehicle Components Technology Holdings Limited (now known as China First Capital Group Limited) (stock code: 1269), all of which are listed on the Main Board of the Stock Exchange, since April 2007, May 2009, February 2010 and October 2011, respectively, and Telecom Service One Holdings Limited (stock code: 8145), and Madison Wine Holdings Limited (stock code: 8057) both companies listed on the GEM Board of the Stock Exchange, since May 2013 and September 2015 respectively.

Mr. Tse Joseph ("**Mr. Tse**"), aged 40, joined the Company as an independent non-executive Director on 16 August 2012. He is also a member of each of the Audit Committee, the Remuneration Committee and the Special Investigation Committee. Mr. Tse has extensive experiences in finance and accounting. He holds a Bachelor of Commerce-Accounting degree from the University of New South Wales and a Master degree in Financial Management from the University of London. Mr. Tse has worked in several banks such as The Bank of East Asia, Limited and The Hongkong and Shanghai Banking Corporation Limited.

SENIOR MANAGEMENT

Mr. Xie Ying ("**Mr. Xie**"), aged 40, joined the Group in April 2015 as a vice president and is primarily responsible for sales and systems integration. He graduated from Nanjing University of Posts and Telecommunications with a Bachelor Degree in Telecommunication Engineering and further obtained a Master Degree in Software Engineering from PLA Information Engineering University. He is currently pursuing a doctorate degree in Mobile Communication at Beijing University of Posts and Telecommunications. Mr. Xie is also a registered senior engineer and a registered consulting engineer in the PRC. Prior to joining the Company, he served as the vice president of operation and maintenance and vice president of network security at the Beijing branch of China Unicom, where he was in charge of the operation and maintenance of mobile networks, operation and maintenance of fixed networks, management and maintenance of infrastructure, technological innovation and customer support services. Mr. Xie has over 15 years of experience in the telecommunication industry and has extensive experience in the planning and design, consultation and research on various mobile telecommunication technologies such as the second-generation (2G), third-generation (3G) and fourth-generation (4G) wireless telephone technologies, WLAN and Worldwide Interoperability for Microwave Access (WiMAX). He also has experience in providing consultation services to a number of PRC mobile operators, including China Mobile, China Unicom, and China Telecom.

Mr. Wang Zheng ("**Mr. Wang**"), aged 34, joined the Group in April 2015 and is now our chief financial officer (the "**CFO**"). He is primarily responsible for the overall financial management of the Group. Mr. Wang has over 10 years of experience in financing and auditing. Prior to joining the Group, he was the deputy general manager in the finance department of China Everbright Water Limited, the financial controller of Tiong Seng Holdings Limited and an audit manager of KPMG Singapore. Mr. Wang obtained a Bachelor Degree in Banking and Finance from the University of London and a Master Degree in Risk Management and Financial Engineering from the Imperial College London. He is also a member of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited financial statements of the Group for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investing holding company. The principal activities of its subsidiaries are set out in note 45 to the consolidated financial statements. The principal activity of the Group is the Beauty Business, which involves development, distribution and marketing of personal care treatments, products and services. The Company has also been starting the New Business of the provision of in-flight WLAN and WIFI engineering and service business in the PRC since the fourth quarter of 2015 in parallel to the Beauty Business. Other than this development, there were no significant changes in the nature of business of the Group during the year under review.

A fair review of business of the Group during the year under review, discussion on the key financial performance indicators of the Group, particulars of important events affecting the Group that have occurred since the end of the period under review and future development of the Group are provided in the section headed "Management Discussion and Analysis" from page 4 to page 13 of this annual report.

Description of the environmental policies and performance, compliance with the applicable laws and regulations which have a significant impact on the Group, relationships with stakeholders and principal risks and uncertainties facing the Group can be found in the paragraphs below.

Environmental Policies and Performance

The Group is committed to creating a successful business that is not achieved at the expense of the environment. The Group is dedicated to creating an environmentally friendly and sustainable operation. The Directors are not expecting that the business of the Group will have a significant impact on the environment due to the nature of its principal business.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Company and its subsidiaries operating in Hong Kong and the PRC are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Competition Ordinance (Cap. 619 of the Laws of Hong Kong), the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, GEM Listing Rules apply to the Company. For subsidiaries operating in the PRC, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector（外商投資商業領域管理辦法）, Law on Environmental Impact Assessment of the PRC（中華人民共和國環境影響評價法）, Administrative Measures on Pollutants Discharge Permits（廣東省排污許可證管理辦法）, Law on Wholly Foreign Owned Enterprises of the PRC（中華人民共和國外資企業法）, Administrative Regulations on Company Registration of the PRC（中華人民共和國公司登記管理條例）, Regulations on Certification of Qualification of Civil Aviation Products and Parts（民用航空產品和零部件合格審定規定）and Regulations on Certification of Qualification of Civil Aircrafts Repair Entities（民用航空器維修單位合格審定規定）. The Group seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels.

Relationships with Stakeholders

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including its employees, customers, suppliers, business partners and the community.

The Group considers its employees key to sustainable business growth. The Group is committed to providing all employees a safe and harassment-free working environment with equal opportunities in relation to employment, reward management, training and career development.

As a customer-focused service provider, the Group considers its customers as one of the most important stakeholders. The Group is committed to serving its customers to the best of its ability and continually elevating the level of service excellence.

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers. The Group has established suppliers monitoring and screening process and conducted suppliers' performance review regularly. Unsatisfactory rating for rectification or improvements will be communicated to its suppliers.

Principal Risks and Uncertainties facing the Group

The Group has entered into the New Business during the year ended 31 December 2015. The New Business may face the following risks and uncertainties in its future development:

The New Business may not be successful or marketable

The in-flight WLAN and WIFI service business in the PRC is still at the start-up stage and has not been put into mass commercial use. The Group may or may not charge the airline companies for the provision of in-flight WLAN or WIFI connection equipment to them but may earn/share any income derived from the use of the in-flight WLAN or WIFI systems supplied by the Group for advertising and shopping. The New Business is a new business of the Group to be developed and there is no guarantee that the New Business will turn out to be successful or marketable.

The New Business may not be able to keep up with technological changes

The in-flight WLAN and WIFI industry is fast moving and customers' preferences change quickly. The introduction of new technology in this industry may render the Group's services to be obsolete and uncompetitive. Accordingly, the Group's future success will depend on its ability to adapt to changing technologies and continually improving the know-how of its staff in response to evolving demands of the market place. Failing to adapt to such changes may result in the New Business losing its customers, which would have a material adverse effect on the New Business.

The New Business may record net cash outflows in its development

Net cash outflows may be recorded for the development of the New Business. Depending on the mode of cooperation between the Group and the airline companies, the Group may or may not charge the airline companies for the provision of in-flight WLAN or WIFI connection equipment to them but may earn/share any income derived from the use of the in-flight WLAN or WIFI systems supplied by the Group for advertising and shopping. Therefore, at the initial stage of development, the Group may be required to purchase and pay for the in-flight WLAN or WIFI connection equipment and the related installation services before generating substantial cash inflow from the use of the Group's in-flight WLAN or WIFI systems, which may be a burden on the Group's working capital and financial condition.

DIRECTORS' REPORT

Reliance on the PRC market

The Group's target customers of the New Business comprise airlines in the PRC and small to medium international airlines with routes to the PRC. Any unexpected economic, political and social events or changes in the PRC may have a significant impact on the New Business. Moreover, if there is any event that leads to consistently low demand for in-flight WLAN or WIFI services, the performance of the Group could be significantly and adversely affected.

Compliance with the PRC laws and regulations

As set out in the paragraph headed ''Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group" above, the operation of the New Business is subject to compliance with various rules and regulations in the PRC. In order to expand into the production of the in-flight WLAN or WIFI connection equipment in the PRC, the Group must obtain certain required qualifications. While pursuant to the term loan agreement entered into between Xing Hang and Success Far Holdings Limited on 17 February 2015, Xing Hang has undertaken to use its best endeavours to procure the obtaining of such qualifications by the Company, the Group may still not be able to obtain such qualifications and may therefore be unable to expand into the production of the in-flight WLAN or WIFI connection equipment. The Group also plans to provide online contents via the Group's in-flight WLAN or WIFI network by way of entering into certain contractual arrangements with a PRC Company. However, the provision of online contents is also subject to compliance with various rules and regulations in the PRC and failure to comply with such requirements will attract penalties.

Reliance on key personnel

Mr. Cai Zhaoyang, an executive Director, the Chairman and the Chief Executive Officer, has extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. The Group is in the process of building its own team for the New Business. The success of the New Business depends, to a significant extent, on the expertise and experience of Mr. Cai Zhaoyang and the Group's team of the New Business. There is no assurance that the Group can recruit sufficient qualified staff to operate the New Business. If the Group cannot recruit and retain qualified teams of staff to operate the New Business, the New Business may be materially and adversely affected.

Product liability

The products provided by the Group under the New Business may contain defects or errors. The Group may incur costs in correcting the defects or errors or defending any legal proceedings and claims brought by its customers. Defects or errors that may be contained in the Group's products may also affect the Group's relationship with such customers and result in negative publicity, hence adversely affecting the Group's reputation. The Group does not currently maintain any product liability insurance for the New Business but may consider doing so in future. There is no assurance that there will not be any product liability claims against the Group for the loss or damage caused by defective products. If any of the Group's customers make any claim against the Group which is in excess of any insurance coverage of the Group or otherwise falls outside such coverage, the Group will need to bear the costs of settling such claims, and may result in the Group's business and financial condition being adversely affected.

Price fluctuations of equipment and services

As set out in the paragraph headed "Connected Transactions" on pages 30 to 32 of this annual report, the Company and Shenzhen Donica entered into the Master Supply Agreement (as defined in the paragraph headed "Connected Transactions" in this annual report) on 6 November 2015, pursuant to which Shenzhen Donica shall exclusively supply the In-flight Equipment (as defined in the paragraph headed "Connected Transactions" in this annual report) and engage independent qualified engineering companies to provide the Related Services (as defined in the paragraph headed "Connected Transactions" in this annual report) to the Company from time to time during the term of the Master Supply Agreement to be used by customers of the Group. Under the Master Supply Agreement, the cost of the Related Services will be subject to price fluctuations in the market. Furthermore, in addition to purchasing the In-flight Equipment from Shenzhen Donica, the Group will purchase such equipment from other suppliers, and the price of such purchases will also be subject to price fluctuations in the market. Such price fluctuations in equipment and services may affect the Group's profitability and operations.

Reliance on major customers

The Group intends to focus on domestic airlines in the PRC and international airlines with routes to the PRC. The airlines that make recurring orders to acquire WLAN or WIFI services may become major customers of the Group under the New Business. In the event that such customers terminate their respective business relationships with the Group at any time, the Group may not be able to solicit new customers in time, and the Group's business, results of operations and financial condition may be materially and adversely affected.

For the Beauty Business, the Company may face the following risks and uncertainties:

Competition

The industry is highly competitive in Hong Kong with the presence of a large number of competitors in the market. Increased competition against other competitors could results in price reduction and loss of market share, any of which would materially and adversely affect its profit margin and operating results.

Client complaints, claims and legal proceedings in the course of the Group's operations

Given the nature of the beauty industry and subjective views on the level of satisfaction of beauty services provided and products, on occasions, the Group is susceptible to complaints associated with its products or services. Common client complaints include (i) unsatisfactory results of the Group's services and products; (ii) physical injury caused by the Group's services; (iii) disputes over payment method (e.g. credit card instalment); (iv) unsatisfactory staff services; (v) unsatisfactory treatment progress; (vi) client's change of mind; (vii) subsequent argument on the terms of contracts; and (viii) disputes over implementation outcome of the Group's refundable programmes.

Large amount of deferred revenue

The Group's prepaid packages are recorded as deferred revenue in the balance sheet at the point of sales and have a validity period of one year. For financial reporting purposes, prepaid packages are recognised as revenue from time to time in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are also fully recognised as revenue. Such recognition method results in a large amount of deferred revenue. In the event that the Group can no longer charge its clients by way of prepayment method, the Group's operations may be adversely affected.

DIRECTORS' REPORT

Lack of growth in the consumer market or general market downturn

Revenue from the Group's operations is highly dependent upon the sustainable growth of consumer spending on beauty services and products. This in turn depends on the level of economic growth in the markets in which the Group operates. The Group cannot guarantee that the economy in these markets can sustain a stable growth rate. Moreover, if the governments of the markets where the Group operates implement measures to slow down the economy, consumer demand and spending on beauty services and products may fall.

CHANGE OF COMPANY NAME

Subsequent to the passing of a special resolution approving the change of Company name by the shareholders of the Company at the special general meeting of the Company held on 25 January 2016 and the issue of the certificate of incorporation on change of name and a certificate of secondary name by the Registrar of Companies in Bermuda on 12 February 2016, the change of the English name of the Company from "EDS Wellness Holdings Limited" to"SkyNet Group Limited" and the adoption of "航空互聯集團有限公司" as the secondary name of the Company have both become effective on 29 January 2016. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Companies Registry in Hong Kong on 8 March 2016 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance.

The website of the Company for the publication of corporate information was changed from http://www.eds-wellness.com to http://www.skynetgroup.com.hk on 17 February 2016. The shares of the Company has been trading on the Stock Exchange under the new stock short name of "SKYNET GROUP" in English and "航空互聯" in Chinese with effect from 22 March 2016 while the stock code of the Company on the Stock Exchange will remain unchanged as "8176".

The Company will publish further announcement(s) to update its shareholders on the consequential changes of its logo as and when appropriate.

RESULTS AND PROFIT DISTRIBUTION

Details of the Group's results for the financial year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

The Directors did not recommend the payment of any final dividend for the financial year ended 31 December 2015 (for the year ended 31 December 2014: Nil).

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the past five financial years/periods ended 30 June 2014, the financial period ended 31 December 2014 and the financial year ended 31 December 2015 are set out on page 116 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year under review are set out in note 18 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year under review are set out in note 25 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

RESERVES

Details of the movement in the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 49 and note 36 to the consolidated financial statements, respectively, in this annual report.

DISTRIBUTABLE RESERVE

The Company did not have any reserves available for distribution to the shareholders of the Company as at 31 December 2015 (as at 31 December 2014: Nil).

CHARITABLE DONATIONS

The Group did not make any charitable donations during the financial year ended 31 December 2015 (for the year ended 31 December 2014: Nil).

DIRECTORS

The Directors who held office during the year under review and up to the date of this annual report were:

Executive Directors

Mr. Cai Zhaoyang	*(appointed as an executive Director, the Chairman and the Chief Executive Officer on 23 November 2015)*
Mr. Chan Kin Wah, Billy	*(appointed as the Chairman on 19 January 2015 and ceased to act as the Chairman on 23 November 2015)*
Mr. Lee Chan Wah	
Mr. Yu Zhen Hua Johnny	*(resigned as an executive Director, the Chairman and managing Director on 19 January 2015)*
Mr. Wang Shangzhong	*(resigned as an executive Director on 19 January 2015)*

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Mr. Tse Joseph

Pursuant to bye-law 84 of the bye-laws of the Company (the "**Bye-laws**"), Mr. Chan Kin Wah, Billy and Mr. Tse Joseph shall retire from office by rotation at the forthcoming annual general meeting (the "**2016 AGM**"), which is scheduled to be held on 12 May 2016, and, being eligible, offer themselves for re-election at the 2016 AGM.

Pursuant to bye-law 83(2) of the Bye-laws, Mr. Cai Zhaoyang, who was appointed by the Board as an executive Director with effect from 23 November 2015, shall retire from office at the 2016 AGM and, being eligible, offer himself for re-election at the 2016 AGM.

THE BIOGRAPHY OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management Profile" on pages 14 to 15 of this annual report.

DIRECTORS' REPORT

DIRECTORS' LETTERS OF APPOINTMENT

Each executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years, subject to renewal, and each of whom is subject to re-election. None of the Director being proposed for re-election at the 2016 AGM has a letter of appointment or a services contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

Pursuant to the Bye-laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty, or supposed duty, in their respective offices or trusts.

As at the date of this annual report, the Company is still arranging for appropriate liability insurance for the Directors to indemnify their liabilities arising from corporate activities.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph, all being the independent non-executive Directors during the year under review, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent in accordance with the guidelines set out in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long and short positions in the ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Nature of interests	*Notes*	Interest in shares *(Note 1)*	Interest in underlying shares *(Note 1)*	Total interest in shares *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 3)*
Mr. Cai Zhaoyang	Interest of controlled corporation	*2, 3 and 4*	397,504,349(L) 179,921,200(S)	30,000,000(L)	427,504,349(L) 179,921,200(S)	101.83% (L) 42.86% (S)

Notes:

1. "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.

2. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie, which in turn directly holds long positions in 427,504,349 shares of the Company and short positions in 179,921,200 shares of the Company. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 427,504,349 shares and short positions in 179,921,200 shares of the Company.

3. As at 31 December 2015, Xing Hang held 179,925,549 shares of the Company and was deemed to be interested in an aggregate of 247,578,800 shares of the Company (comprising 217,578,800 ordinary shares and 30,000,000 preferred shares of the Company) held by High Aim, Goldenland, Silver Empire, Truly Elite, First Bonus and Eternity Investment Limited ("**Eternity**") under Sections 317 and 318 of the SFO. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 427,504,349 shares of the Company.

4. Pursuant to a term loan agreement (the "**Term Loan Agreement**") entered into between Xing Hang (as borrower) and Success Far Holdings Limited ("**Success Far**") (as lender) on 17 February 2015, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as charger) in favour of Success Far (as chargee, pursuant to which 179,921,200 shares of the Company have been charged by Xing Hang to Success Far as security under the Term Loan Agreement). Accordingly, Xing Hang acquired short positions in respect of such 179,921,200 shares of the Company.

5. The percentage is calculated on the basis of 419,803,000 shares of the Company in issue as at 31 December 2015.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2015, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in this annual report, at no time during the year under review was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations, and none of the Directors or their respective spouses or children under the age of 18 had any right to subscribe for shares of the Company or any of its associated corporations or had exercised any such right during the year under review.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed this annual report, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the period under review.

CONTRACTS OF SIGNIFICANCE

Save as the Subscription Agreement and the Master Supply Agreement (as defined in the paragraph headed "Connected Transactions" in this annual report), no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their job responsibilities, work performance, professional experience and prevailing industry practices.

The emoluments of the Directors are decided by the Board with reference to the recommendations from the Remuneration Committee, with regard to the Company's operation results, individual performance and comparable market statistics.

The Company has adopted the New Share Option Scheme (as defined below) as an incentive to Directors and eligible participants. Please refer to the paragraph headed "New Share Option Scheme" on pages 28 to 29 of this annual report for details.

Details of the emoluments of Directors and employees and the five highest paid individuals of the Group are set out in note 12 and note 13 to the consolidated financial statements, respectively, in this annual report.

COMPETING INTERESTS OF DIRECTORS

As at 31 December 2015, none of the Directors, substantial shareholders of the Company nor any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors and the chief executives of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests and short positions in the shares or underlying shares of the Company

Name of shareholder	Nature of interests	*Notes*	Interest in shares of the Company *(Note 1)*	Interest in underlying shares of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 13)*
Eternity	Interest of controlled corporation and concert party agreement	*5*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Xing Hang	Beneficial owner and concert party agreement	*6*	397,504,349(L) 179,921,200(S)	30,000,000(L)	427,504,349(L) 179,921,200(S)	101.83%(L) 42.86%(S)
Success Far	Security interest	*7*	179,921,200(L)	—	179,921,200(L)	42.86%(L)
Goldenland	Beneficial owner and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Liu Jin	Interest of controlled corporation and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Xue Siman	Interest of controlled corporation and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Silver Empire	Beneficial owner and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Genius Earn	Interest of controlled corporation and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Liu Xiaolin	Interest of controlled corporation and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Truly Elite	Beneficial owner and concert party agreement	*10*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Yeung Heung Yeung	Interest of controlled corporation and concert party agreement	*10*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)

Name of shareholder	Nature of interests	*Notes*	Interest in shares of the Company *(Note 1)*	Interest in underlying shares of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 13)*
High Aim	Beneficial owner and concert party agreement	*11*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Ko Chun Shun, Johnson	Interest of controlled corporation and concert party agreement	*11*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
First Bonus	Beneficial owner and concert party agreement	*12*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Reorient Limited	Interest of controlled corporation and concert party agreement	*12*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
REORIENT Group Limited	Interest of controlled corporation and concert party agreement	*12*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)

Notes:

1. "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.

2. On 17 February 2015, the Company and the Subscribers, namely Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus entered into the Subscription Agreement pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 375,000,000 Subscription Shares of the Company, comprising 345,000,000 Ordinary Subscription Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK$0.4 per Subscription Share.

3. Upon completion of the Subscription on 6 November 2015, Xing Hang became the controlling shareholder (as defined under the GEM Listing Rules) of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang made an unconditional mandatory cash offer (the "**Offer**"). Kingston Securities Limited ("**Kingston Securities**") made the Offer on behalf of Xing Hang to acquire all the issued shares of the Company at an offer price of HK$4.07 per offer share (other than the Excluded Shares (as defined below)). The Offer was closed on 11 December 2015 and Xing Hang had received valid acceptances in respect of a total of 4,349 offer shares under the Offer.

4. Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus are considered concert parties with Xing Hang. Eternity, being the controlling shareholder (as defined under the GEM Listing Rules) of the Company prior to the completion of the Subscription, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 shares of the Company held by Eternity (the "**Excluded Shares**") (the "**Lock-Up Undertaking**") and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after completion of the Subscription or during the period which Eternity remains directly or indirectly interested in 22,490,150 shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the conversion shares in accordance with the terms of the Preferred Shares and that there is no other change in the number of shares in issue)) or more (whichever period is shorter) (the "**Subscribers' Lock-up Undertaking**"). In view of these undertakings entered into between Eternity and the Subscribers, Eternity is regarded as a concert party with the Subscribers.

5. New Cove Limited ("**New Cove**") is interested in 52,500,000 shares of the Company. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 shares. In addition, as Eternity is considered a concert party with the Subscribers under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking. Eternity is deemed to be interested in the Subscription Shares. As such, Eternity is deemed to be interested in all the shares of the Company in which each of the Subscribers is or is deemed to be interested.

6. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Pursuant to the Subscription Agreement, Xing Hang subscribed for 179,921,200 Ordinary Subscription Shares. Pursuant to the Term Loan Agreement, a share charge has been given by Xing Hang in favour of Success Far over the 179,921,200 Ordinary Subscription Shares issued to Xing Hang under the Subscription. Accordingly, Xing Hang acquired a short position in respect of such 179,921,200 shares. Subsequently on 11 December 2015, Xing Hang further acquired a total of 4,349 shares of the Company upon completion of the Offer. As Xing Hang is a controlled corporation (as defined in Part XV of the SFO) of Mr. Cai Zhaoyang, Mr. Cai Zhaoyang is deemed to have acquired a short position in such 179,921,200 shares and is also deemed to be interested all the shares in which Xing Hang is or is deemed to be interested. Further, as Xing Hang is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, Xing Hang is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

7. In accordance with the Term Loan Agreement entered into between Xing Hang and Success Far, which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim, pursuant to which Success Far provided a facility to Xing Hang and Xing Hang gave a share charge in favour of Success Far over the 179,921,200 Ordinary Subscription Shares issued to Xing Hang under the Subscription. As such, Success Far is deemed to be interested in the 179,921,200 shares of the Company.

8. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Accordingly, each of Mr. Liu Jin and Ms. Xue Siman is deemed to be interested in all the shares of the Company in which Goldenland is or is deemed to be interested. Pursuant to the Subscription Agreement, Goldenland subscribed for 45,396,178 Ordinary Subscription Shares. As Goldenland is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, Goldenland is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

9. Silver Empire is wholly-owned by Genius Earn Limited ("**Genius Earn**") which is in turn wholly-owned by Mr. Liu Xiaolin. Accordingly, Genius Earn is deemed to be interested in all the shares of the Company in which Silver Empire is or is deemed to be interested. Further, Mr. Liu Xiaolin is deemed to be interested in all the shares of the Company in which Genius Earn is or is deemed to be interested. Pursuant to the Subscription Agreement, Silver Empire subscribed for 37,861,665 Ordinary Subscription Shares. As Silver Empire is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, Silver Empire is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

10. Truly Elite is wholly-owned by Mr. Yeung Heung Yeung. Accordingly, Mr. Yeung Heung Yeung is deemed to be interested in all the shares of the Company in which Truly Elite is or is deemed to be interested. Pursuant to the Subscription Agreement, Truly Elite subscribed for 41,628,921 Ordinary Subscription Shares. As Truly Elite is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, Truly Elite is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

11. High Aim is wholly-owned by Mr. Ko Chun Shun, Johnson. Accordingly, Mr. Ko Chun Shun, Johnson is deemed to be interested in all the shares of the Company in which High Aim is or is deemed to be interested. Pursuant to the Subscription Agreement, High Aim subscribed for 26,697,946 Ordinary Subscription Shares and 30,000,000 Preferred Shares. As High Aim is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, High Aim is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

12. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Accordingly, Reorient Limited is deemed to be interested in all the shares of the Company in which First Bonus is or is deemed to be interested. Further, REORIENT Group Limited is deemed to be interested in all the shares of the Company in which Reorient Limited is or is deemed to be interested. Mr. Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited. Accordingly, he is deemed to be interested in all the shares of the Company in which REORIENT Group Limited is or is deemed to be interested. Pursuant to the Subscription Agreement, First Bonus subscribed for 13,494,090 Ordinary Subscription Shares. As First Bonus is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, First Bonus is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

13. The percentage is calculated on the basis of 419,803,000 Shares in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

NEW SHARE OPTION SCHEME

The Company adopted a new share option scheme (the "**New Share Option Scheme**") at the annual general meeting of the Company held on 7 November 2014 (the "**2014 AGM**").

1. **Purpose of the New Share Option Scheme**

   The purpose of the New Share Option Scheme is to enable the Company to grant options to certain Eligible Participants (as defined below) as incentives or rewards for their contribution to the Company and/or its subsidiaries.

2. **Participants of the New Share Option Scheme and the basis of determining the eligibility of the participants**

   The Board may, subject to and in accordance with the provisions of the New Share Option Scheme and the GEM Listing Rules, in its absolute discretion, invite (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including directors) of any entity in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for options under the New Share Option Scheme (the "**Eligible Participant(s)**") to take up options to subscribe for Shares at the Subscription Price (as defined below).

3. **Maximum number of Shares**

   As approved by the shareholders of the Company at the 2014 AGM, the total number of shares of the Company in respect of which options may be granted under the New Share Option Scheme is 7,480,300 shares of the Company which is equivalent to 10% and 1.78% of the issued shares of the Company as at 3 October 2014 and 31 December 2015 respectively.

   The maximum number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of shares of the Company in issue from time to time.

4. **Maximum entitlement of each participant**

   Unless approved by the shareholders of the Company in general meeting and according to the manner prescribed by the provisions of the New Share Option Scheme and the GEM Listing Rules, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue.

5. **Offer period and amount payable for options**

The offer shall remain open for acceptance for 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date (i.e. 7 November 2014) (the "**Adoption Date**") or the termination of the New Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

An option shall be deemed to have been accepted (subject to certain restrictions in the New Share Option Scheme) when the duplicate letter comprising acceptance of the option duly signed by the Eligible Participant together with a non-refundable nominal consideration of HK$1.00 is received by the Company from the grantee.

6. **Minimum period for which an option must be held before it can be exercised**

There is no specified minimum period under the New Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the New Share Option Scheme.

The terms of the New Share Option Scheme provide that in granting options under the New Share Option Scheme, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the Board may determine in its absolute discretion.

7. **Basis of determining the exercise price**

The exercise price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the date on which an offer is made to an Eligible Participant, which must be a business day (the "**Offer Date**"), (ii) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the Offer Date, and (iii) the nominal value of the Shares.

8. **Remaining life of the New Share Option Scheme**

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the 10th anniversary thereof, after which period no further options will be issued but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

As at 31 December 2015 or as at the date of this annual report, no options have been granted under the New Share Option Scheme.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 40 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate purchases attributable to the Group's largest suppliers accounted for approximately 45% (for the six months ended 31 December 2014: 18%) of the Group's total purchase for the year and the five largest suppliers taken together accounted for approximately 73% (for the six months ended 31 December 2014: 61%) of the Group's total purchase.

Mr. Cai Zhaoyang has 41.98% equity interest in one of the five largest suppliers, Shenzhen Donica. Shenzhen Donica is the supplier of in-flight WLAN equipment to the Group under the Master Supply Agreement (as defined in the paragraph headed "Connected Transactions" in this annual report). Such arrangement has been disclosed in the Company's circular dated 7 October 2015 in relation to, among other things, the Subscription, and approved by shareholders at the special general meeting held on 30 October 2015.

Save as disclosed in this annual report and to the best knowledge of Directors, none of the Directors, their associates, or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers or customers during the financial year ended 31 December 2015.

The Group does not have any significant transaction with any single customer for the year ended 31 December 2015.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2015 are disclosed in note 41 to the consolidated financial statements. Transactions constituted non-exempt continuing connected transactions under the GEM Listing Rules are identified below:

Master Supply Agreement (the "Master Supply Agreement")

Upon the completion of the Subscription on 6 November 2015, the Company and Shenzhen Donica entered into the Master Supply Agreement, pursuant to which the Company may purchase certain in-flight WLAN and WIFI equipment (the "**In-flight Equipment**") and certain installation and related services (the "**Related Services**") for the In-flight Equipment to be provided by independent qualified engineering companies from Shenzhen Donica and Shenzhen Donica shall exclusively supply the In-flight Equipment and engage independent qualified engineering companies to provide the Related Services to the Company from time to time during the term of the Master Supply Agreement to be used by customers of the Group.

At the time when the Master Supply Agreement was entered into, Xing Hang was the controlling shareholder (as defined under the GEM Listing Rules) of the Company and Xing Hang was in turn held by Mr. Cai Zhaoyang as to 82.50%. As Mr. Cai Zhaoyang also held approximately 41.98% equity interest in Shenzhen Donica, Shenzhen Donica was an associate of Xing Hang and therefore a connected person of the Company. The transactions under the Master Supply Agreement constituted continuing transactions for the Company under Chapter 20 of the GEM Listing Rules.

The term of the Master Supply Agreement will last until and up to 31 December 2016. Upon expiry, the term of the Master Supply Agreement can be extended for one year (the "**1st Extended Period**") in the Company's absolute discretion. Upon expiry of the 1st Extended Period, the term of the Master Supply Agreement can be further extended for one more year at the Company's absolute discretion. If the Company chooses to extend the term of the Master Supply Agreement, it needs to serve at least one month's notice in writing to Shenzhen Donica and will comply with the relevant requirements of the GEM Listing Rules as and when appropriate.

For the In-flight Equipment supplied by Shenzhen Donica and the Related Services supplied by independent qualified engineering companies which are engaged by Shenzhen Donica under the Master Supply Agreement, the Company shall pay to Shenzhen Donica an aggregate price equivalent to the quantity purchased at the agreed unit prices of the In-flight Equipment as specified in the Master Supply Agreement (which is based on the current price charged by Shenzhen Donica to its existing customers less a discount), the Related Service charges based on the units to be installed at the prices specified in the Master Supply Agreement (which is determined based on the fees charged to Shenzhen Donica by the independent qualified engineering company for similar services, subject to an adjustment of 15% in each calendar year due to factors such as inflation) and the applicable value added tax rate. Further discount for the In-flight Equipment may be given if the Company purchases up to a certain quantity within a certain period of time exceeding the amount as set out in the Master Supply Agreement.

Depending on the type of aircraft and before taking into account any of the aforesaid adjustments, the unit price of the Related Services represents approximately 41.0% to 49.3% of the total unit price of the In-flight Equipment and the Related Services. For the avoidance of doubt, the unit price of the Related Services is stated in the Master Supply Agreement and is not charged on a back-to-back basis by Shenzhen Donica based on the invoices received by Shenzhen Donica from the independent qualified engineering companies.

During the term of the Master Supply Agreement, the Company shall periodically obtain quotations on the relevant In-flight Equipment and the Related Services from other WLAN and WIFI equipment suppliers and independent qualified engineering companies in the PRC and overseas to perform market price comparisons to ensure the unit prices and terms of the Master Supply Agreement are fair and reasonable and comparable to those offered by independent third parties. In the event that the unit prices and the terms offered by other overseas suppliers and independent qualified engineering companies are more favourable, the Company may acquire such In-flight Equipment from other overseas suppliers and the Related Services directly from independent qualified engineering companies.

The Company shall pay 20% of the total amount of purchase to Shenzhen Donica within 15 days of order submission and the remaining 80% of the total amount upon receipt of invoice from Shenzhen Donica.

The annual caps in respect of the transactions under the Master Supply Agreement for the year ended 31 December 2015 and the year ending 31 December 2016 are RMB23.7 million and RMB82.1 million, respectively. For the year ended 31 December 2015, the total amount of purchase paid by the Company to Shenzhen Donica was approximately RMB10,256,409, which did not exceed the relevant annual cap.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and confirmed that they have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transaction of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have confirmed to the Board in writing that for the year ended 31 December 2015, the abovementioned continuing connected transactions:

1. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company

The Company confirms that the continuing connected transactions as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that the Company has complied with the relevant disclosure requirements.

DISCLOSURE PURSUANT TO RULES 17.23 AND 17.24 OF THE GEM LISTING RULES

Pursuant to the Term Loan Agreement entered into between Xing Hang (as borrower) and Success Far (as lender) on 17 February 2015, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as charger) in favour of Success Far (as chargee, pursuant to which 179,921,200 shares of the Company have been charged by Xing Hang to Success Far as security under the Term Loan Agreement) for the term loan facility up to HK$71,968,480. Please refer to the Company's circular dated 7 October 2015 and the Company's announcement dated 15 April 2015 in relation to, among other things, the Subscription, for details.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

During the year under review, other than the letters of appointment of the Directors, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and there is no restriction against such rights under the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

The 2016 AGM is scheduled to be held on 12 May 2016. For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from 10 May 2016 to 12 May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 9 May 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available and to the best knowledge, information and belief of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules throughout the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2015 and up to the date of this annual report, the Group had the following material events:

(a) Subsequent to the passing of a special resolution approving the change of Company name by the shareholders of the Company at the special general meeting of the Company held on 25 January 2016 and the issue of the certificate of incorporation on change of name and a certificate of secondary name by the Registrar of Companies in Bermuda on 12 February 2016, the change of the English name of the Company from “EDS Wellness Holdings Limited” to “SkyNet Group Limited” and the adoption of “航空互聯集團有限公司” as the secondary name of the Company have both become effective on 29 January 2016. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Companies Registry in Hong Kong on 8 March 2016 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);

    The website of the Company for the publication of corporate information was changed from *http://www.eds-wellness.com* to *http://www.skynetgroup.com.hk* on 17 February 2016. The shares of the Company will be traded on the Stock Exchange under the new stock short name of “SKYNET GROUP” in English and “航空互聯” in Chinese with effect from 22 March 2016 while the stock code of the Company on the Stock Exchange will remain unchanged as “8176”; and

(b) On 28 January 2016, the Central of Southern Regional Administration of the CAAC granted the Parts Manufacturers Approval for in-flight WLAN equipment to Donica Connectivity, an indirect wholly-owned subsidiary of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 35 to 43 of this annual report.

DIRECTORS' REPORT

AUDITORS

HLB Hodgson Impey Cheng Limited shall retire as the auditors of the Company. A resolution will be proposed at the 2016 AGM to appoint PricewaterhouseCoopers as the new auditors of the Company.

On behalf of the Board

Cai Zhaoyang
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 21 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules which sets out the principles and the code provisions which listed issuers are expected to apply and comply.

During the period under review and up to the date of this annual report, the Company has applied the principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the applicable code provisions as set out in the CG Code save for certain deviations, details of which are explained in the relevant paragraphs of this corporate governance report.

The key corporate governance principles and practices of the Company are summarised as follows:

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own codes of conduct regarding Directors' and relevant employees' securities transactions, namely "Code for Securities Transactions by Directors" and "Code for Securities Transactions by Relevant Employees", both of which apply to all Directors and relevant employees of the Company in terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry with each of the Directors, all Directors have confirmed that they have complied with such code and the required standard of dealings on Directors' securities transactions during the year ended 31 December 2015.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decisions making in all major matters of the Company include approving and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior management. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior management and the Board has the full support of them to discharge its responsibilities. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this corporate governance report.

Composition

As at the date of this annual report, the Board comprises six Directors and their respective roles are set out as follows:

Executive Directors

Mr. Cai Zhaoyang *(the Chairman and the Chief Executive Officer) (Appointed as the Chairman and the Chief Executive Officer on 23 November 2015)*
Mr. Chan Kin Wah, Billy *(Ceased to act as the Chairman on 23 November 2015)*
Mr. Lee Chan Wah

Independent Non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Mr. Tse Joseph

Two of the independent non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

None of the Board members have financial, business, family or other material/relevant relationship with each other.

Biographical details of the Directors are set out in the section headed “Directors and Senior Management Profile” on pages 14 to 15 of this annual report.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors have given sufficient time and attention to the Company’s affairs. Code provision A.5.6 of the CG Code stipulates that there should be a policy concerning the diversity of Board members. However, the Company does not consider that it is necessary to have a policy concerning diversity of Board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider that a formal Board diversity policy will provide measurable benefits to enhance the effectiveness of the Board. The Board believes that the ratio of executive Directors to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders of the Company and the Company as a whole.

Pursuant to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. As at the date of this annual report, the Company is still arranging for appropriate liability insurance for the Directors for indemnifying their liabilities arising from corporate activities.

APPOINTMENTS, RE-ELECTION AND REMOVAL

The Board has established the Nomination Committee on 27 March 2012 with details set out in the paragraph headed “Nomination Committee” on page 39 of this corporate governance report.

According to the Bye-laws, the Board may from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation in general meeting, as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. All Directors are given an opportunity to attend and include matters in the agenda for discussion. During the period under review, at least 14 days’ notice were given to all Directors for a regular board meeting in order to comply with the relevant code provision of the CG Code.

Apart from regular meetings, our senior management from time to time provides Directors with information on activities and development of the businesses of the Group. The company secretary of the Company (the "**Company Secretary**") takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings. Individual attendance records of each Director at the respective Board and committee meetings are set out in the following section.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2015 are as follows:

Name of Director	Board Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Special Investigation Committee Meeting Attended/ Eligible to attend	Annual General Meeting Attended/ Eligible to Attend
Executive Directors						
Mr. Cai Zhaoyang[1]	5/5	—	—	—	—	—
Mr. Chan Kin Wah, Billy	14/17	—	—	—	—	1/1
Mr. Lee Chan Wah	17/17	—	—	—	—	1/1
Mr. Yu Zhen Hua Johnny[2]	—	—	—	—	—	—
Mr. Wang Shangzhong[3]	—	—	—	—	—	—
Independent non-executive Directors						
Mr. Tam B Bay, Billy	12/17	4/4	0/1	1/1	—	1/1
Mr. Chu Kin Wang, Peleus	11/17	4/4	1/1	1/1	—	1/1
Mr. Tse Joseph	12/17	4/4	1/1	0/1	—	1/1

Notes:

1. Mr. Cai Zhaoyang was appointed as an executive Director, and a member of each of the Remuneration Committee and the Nomination Committee on 23 November 2015. He ceased to be a member of each of the Remuneration Committee and the Nomination Committee on 11 March 2016. Two Board meetings were held subsequent to his appointment as an executive Director. No general meeting was held and no meeting was held for each of the Remuneration Committee and the Nomination Committee subsequent to his appointment.

2. Mr. Yu Zhen Hua Johnny was resigned as an executive Director, and a member of each of the Remuneration Committee, the Nomination Committee and the Special Investigation Committee on 19 January 2015. No Board meeting and no general meeting was held prior to his resignation as an executive Director. No meeting was held for each of the Remuneration Committee, the Nomination Committee and the Special Investigation Committee prior to his resignation.

3. Mr. Wang Shangzhong was resigned as an executive Director on 19 January 2015. No Board meeting and no general meeting was held prior to his resignation as an executive Director.

The Chairman has at least annually hold meetings with the non-executive Director (including independent non-executive Directors without the executive Director present).

Directors' Training

Up to the date of this annual report, all Directors have participated in continuous professional development by attending training courses on the topics related to corporate governance and regulations to comply with the relevant code provision. For those Directors who did not attend a structured course, the Company has arranged the Company Secretary to provide in-house training to such Directors and maintained a record of training.

CORPORATE GOVERNANCE REPORT

A summary of the training received by the Directors for the period under review according to the records provided by the Directors is as follows:

Name of Directors	Type of Continuous Professional Development Reading on corporate governance, regulatory updates development and other relevant topics	Attending relevant training sessions
Executive Directors		
Mr. Cai Zhaoyang (appointed on 23 November 2015)	✓	✓
Mr. Chan Kin Wah, Billy	X	✓
Mr. Lee Chan Wah	X	✓
Mr. Yu Zhen Hua Johnny (resigned on 19 January 2015)	X	X
Mr. Wang Shangzhong (resigned on 19 January 2015)	X	X
Independent non-executive Directors		
Mr. Tam B Ray, Billy	X	✓
Mr. Chu Kin Wang, Peleus	✓	✓
Mr. Tse Joseph	✓	X

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Due to practical necessity of the Group's corporate operating structure, the roles of the Chairman and the Chief Executive Officer are both performed by Mr. Cai Zhaoyang, who is overseeing the operation and management of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The Company is looking for a suitable candidate to act as the Chief Executive Officer in order to comply with the CG Code.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. During the period under review, all the independent non-executive Directors have been appointed for a term of two years and subject to re-election.

The Company has received annual written confirmations from Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph, all being the independent non-executive Directors during the period under review, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

BOARD COMMITTEE

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Group's policies and structure for all remuneration of Directors and senior management, determining specific remuneration packages of all executive Directors and senior management, and reviewing and approving performance-based remuneration.

As at 31 December 2015, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (chairman) and Mr. Tse Joseph and two executive Directors, Mr. Chan Kin Wah Billy and Mr. Cai Zhaoyang. Following the appointment of Mr. Cai Zhaoyang as a member of the Remuneration Committee on 23 November 2015, the Remuneration Committee did not comprise a majority of independent non-executive Directors as required under Rule 5.34 of the GEM Listing Rules. On 11 March 2016, Mr. Cai Zhaoyang ceased to be a member of the Remuneration Committee and the requirements under Rule 5.34 of the GEM Listing Rules have been fulfilled.

As at the date of this annual report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus (chairman) and Mr. Tse Joseph, and one executive Director, namely Mr. Chan Kin Wah, Billy.

The Remuneration Committee held one meeting during the year ended 31 December 2015.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, identification of individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

As at 31 December 2015, the Nomination Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (chairman) and Mr. Tam B Ray, Billy and two executive Directors, namely Mr. Cai Zhaoyang and Mr. Chan Kin Wah, Billy. Following the appointment of Mr. Cai Zhaoyang as a member of the Nomination Committee on 23 November 2015, the Nomination Committee did not comprise a majority of independent non-executive Directors as required under code provision A.5.1 of the CG Code. Since 11 March 2016, Mr. Cai Zhaoyang has ceased to be a member of the Nomination Committee and the requirements under code provision A.5.1 of the CG Code have been fulfilled.

As at the date of this annual report, the Nomination Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus (chairman) and Mr. Tam B Ray, Billy and one executive Director, namely Mr. Chan Kin Wah, Billy.

The Nomination Committee held one meeting during the year ended 31 December 2015.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual items raised by the compliance officer or external auditors before submission to the Board, reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendation to the Board on the appointment, re-appointment and removal of external auditors and reviewing the adequacy and effectiveness of the Company's financial reporting, internal control and risk management systems and associated procedures.

As at 31 December 2015 and up to the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus (chairman), Mr. Tam B Ray, Billy and Mr. Tse Joseph.

The Audit Committee held four meetings during the year ended 31 December 2015, to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes, as well as the re-appointment of the external auditors. During each meeting, the Audit Committee has met with the external auditors without the presence of executive Directors to discuss financial reporting issues.

The Audit Committee has reviewed the audited consolidated final results for the year ended 31 December 2015 and provided advices and comments thereon.

The minutes of meetings have been kept by the secretary of meetings (who should normally be the Company Secretary). The draft and final versions of minutes have been sent to all committee members for their comment and records within a reasonable time after each meeting.

Special Investigation Committee

The Company has established the Special Investigation Committee, whose principal responsibilities include (i) investigating the issues raised by HLM & Co., former auditors of the Group, in their resignation letter; (ii) reviewing the internal control procedures and corporate governance policies of the Group; and (iii) making recommendation to the Board on appropriate actions to be taken.

As at 31 December 2015 and up to the date of this annual report, the Special Investigation Committee comprises one executive Director, namely Mr. Chan Kin Wah, Billy (chairman) and three independent non-executive Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.

The Special Investigation Committee did not hold any meeting during the year ended 31 December 2015.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and the senior management, the Company's policies and practices compliance with the legal and regulatory requirements, the compliance of the "Code for Securities Transactions by Directors" and "Code for Securities Transactions by Relevant Employees", and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE OF GENERAL MEETING

Pursuant to code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting of the Company and he should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend. Pursuant to code provision A.6.7 of the CG Code, independent non-executive Director and other non-executive Directors should attend the general meetings of the Company. During the year ended 31 December 2015, the annual general meeting of the Company was held on 30 June 2015 (the "**2015 AGM**") and all the then Directors had attended the 2015 AGM.

AUDITORS' REMUNERATION

During the year under review, the remuneration in respect of audit services provided by the Company's external auditors, HLB Hodgson Impey Cheng Limited, is set out below:

Services rendered	**Fee paid/payable** *HK$'000*
Audit services	613

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control of the Group. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound risk management and internal control systems which is also indispensable for mitigating the Group's risk exposures. Although the Company does not have an internal audit function as required under code provision C.2.5 of the CG Code, the risk management and internal control systems are reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal control of the Group are satisfactory. The Group has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the risk management and internal control systems adopted for the year ended 31 December 2015 is sound and are effective to safeguard the interests of the shareholders' investment and the Company's assets.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, all applicable law, rules and regulations are followed.

On 23 November 2015, Ms. So Man Yee, who was a full time employee of the Company, resigned as the Company Secretary and following her resignation, Ms. Wang Jing, who is a full time employee of the Company, has been appointed by the Board as the Company Secretary on the same day. According to Rule 5.15 of the GEM Listing Rules, Ms. Wang Jing has confirmed that she has taken no less than 15 hours of relevant professional training to update her skills and knowledge during the period under review. She will continue to comply with the GEM Listing Rules and take no less than 15 hours of relevant professional training in each financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Annual report, interim report and quarterly reports offer comprehensive information to the shareholders of the Company on operational and financial performance whereas annual general meetings provide a forum for the shareholders of the Company to exchange views directly with the Board. All of the then Directors and all members of the Audit Committee attended the 2015 AGM to answer questions raised at the meeting. Each general meeting, other than an annual general meeting, shall be called a special general meeting (the "**SGM**").

Right to convene SGM

According to the Bye-laws, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, a SGM will not be convened as requested. If within twenty-one (21) days from the date of the deposit of the proper and orderly requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the SGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company in SGM;

— At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in SGM.

Right to put forward enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's registered office in Hong Kong at Unit 3811, 38/F., Shun Tak Centre, West Tower, 168–200 Connaught Road Central, Central, Hong Kong.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Bermuda Companies Law. As regards proposing a person for election as a Director, please refer to the procedures as set out in (i) the Bye-laws available on the websites of the Company and the Stock Exchange and (ii) the guidelines entitled "Procedures for shareholders to propose a person for election as a Director" on the website of the Company.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders of the Company is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the shareholders of the Company and in particular, through annual general meetings and other general meetings. The website of the Company for the publication of corporate communication has been changed from *http://www.eds-wellness.com* to *http://www.skynetgroup.com.hk* with effect from 17 February 2016.

SIGNIFICANT CHANGES MADE TO BYE-LAWS

On 30 October 2015, the existing Bye-laws was amended to, among others, reflect (i) the reclassification and redesignation of the authorized share capital of the Company such that the authorized share capital of the Company was changed from HK$500,000,000 comprising 5,000,000,000 ordinary shares of par value of HK$0.10 each to HK$500,000,000 comprising (a) 4,950,000,000 ordinary shares of par value of HK$0.10 each and (b) 50,000,000 preferred shares of par value of HK$0.10 each; and (ii) the creation and issue of preferred shares with the rights, privileges and restrictions set out in the new Bye-laws. Please refer to the Company's circular dated 7 October 2015, and the Company's announcements dated 15 April 2015 and 30 October 2015 for details.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKYNET GROUP LIMITED (FORMERLY KNOWN AS EDS WELLNESS HOLDINGS LIMITED)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of SkyNet Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 115, which comprise the consolidated statement of financial position at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 21 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	Year ended 01.01.2015 to 31.12.2015	Period from 01.07.2014 to 31.12.2014
		HK$'000	*HK$'000*
Revenue	7	46,989	22,084
Cost of sales		(47,834)	(15,155)
Gross (loss)/profit		(845)	6,929
Other income	9	252	3,408
Selling and distribution costs		(6,890)	(942)
Administrative expenses		(30,228)	(7,922)
Impairment loss recognised in respect of other receivables		—	(46,519)
Loss from operations	10	(37,711)	(45,046)
Finance costs	11	(981)	(1,170)
Loss before taxation		(38,692)	(46,216)
Income tax expense	14	(985)	(827)
Loss for the year/period		(39,677)	(47,043)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
Exchange differences arising during the year/period		181	1
Other comprehensive income for the year/period		181	1
Total comprehensive expenses for the year/period		(39,496)	(47,042)
Loss for the year/period attributable to:			
Owners of the Company		(42,086)	(48,939)
Non-controlling interests		2,409	1,896
		(39,677)	(47,043)
Total comprehensive expenses for the year/period attributable to:			
Owners of the Company		(41,905)	(48,938)
Non-controlling interests		2,409	1,896
		(39,496)	(47,042)
Loss per share	16		
Basic and diluted (cents)		HK(33.19)	HK(78.71)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 *HK$'000*	2014 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	18	25,801	12,649
Intangible asset	19	—	—
Goodwill	20	18,266	18,266
		44,067	30,915
Current assets			
Inventories	21	2,954	1,923
Trade receivables	22	5,734	5,546
Deposits, prepayments and other receivables	23	30,078	5,728
Restricted bank deposits	24	12,657	19,701
Cash and cash equivalents	24	116,055	26,553
		167,478	59,451
Total assets		211,545	90,366
EQUITY			
Capital and reserves			
Share capital – ordinary shares	25	41,980	7,480
Share capital – preferred shares	25	3,000	—
Reserves		94,372	37,819
Equity attributable to owners of the Company		139,352	45,299
Non-controlling interests		825	3,757
Total equity		140,177	49,056

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
LIABILITIES			
Current liabilities			
Amount due to a former director	26	64	64
Amount due to a related company	26	16,286	—
Trade payables	27	179	210
Accruals and other payables	28	17,006	5,080
Other borrowings	29	6,271	3,850
Promissory notes	30	—	6,069
Tax payables		2,487	1,502
Deposits from customers	32	23	80
Deferred revenue	33	24,712	24,000
Obligations under finance leases	34	4,338	444
		71,366	41,299
Non-current liabilities			
Convertible bonds	31	—	—
Obligations under finance leases	34	2	11
Deferred taxation	35	—	—
		2	11
Total liabilities		71,368	41,310
Total equity and liabilities		211,545	90,366
Net current assets		96,112	18,152
Total assets less current liabilities		140,179	49,067

The consolidated financial statements were approved and authorised for issued by the board of directors on 21 March 2016 and are signed on its behalf by:

Cai Zhaoyang
Director

Lee Chan Wah
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital — ordinary shares	Share capital — preferred shares	Share premium	Merger reserve	Contributed surplus	Convertible bonds reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)	*(Note b)*	*(Note c)*	*(Note d)*				
At 1 July 2014	1,312	—	—	22,734	27,141	8,934	10	(61,050)	(919)	1,861	942
Loss for the period	—	—	—	—	—	—	—	(48,939)	(48,939)	1,896	(47,043)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1	—	1	—	1
Total comprehensive loss for the period	—	—	—	—	—	—	1	(48,939)	(48,938)	1,896	(47,042)
Conversion of convertible bonds	4,000	—	36,658	—	—	(8,934)	—	—	31,724	—	31,724
Open offer of new shares	1,906	—	55,277	—	—	—	—	—	57,183	—	57,183
Placing of new shares	262	—	7,991	—	—	—	—	—	8,253	—	8,253
Share issue expenses	—	—	(2,004)	—	—	—	—	—	(2,004)	—	(2,004)
Transfer to accumulated losses upon disposal of a subsidiary	—	—	—	(22,734)	—	—	—	22,734	—	—	—
At 31 December 2014 and at 1 January 2015	7,480	—	97,922	—	27,141	—	11	(87,255)	45,299	3,757	49,056
Loss for the year	—	—	—	—	—	—	—	(42,086)	(42,086)	2,409	(39,677)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	181	—	181	—	181
Total comprehensive loss for the year	—	—	—	—	—	—	181	(42,086)	(41,905)	2,409	(39,496)
Subscription of shares	34,500	3,000	112,500	—	—	—	—	—	150,000	—	150,000
Share issuing expenses	—	—	(14,042)	—	—	—	—	—	(14,042)	—	(14,042)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(5,341)	(5,341)
At 31 December 2015	**41,980**	**3,000**	**196,380**	**—**	**27,141**	**—**	**192**	**(129,341)**	**139,352**	**825**	**140,177**

Notes:

(a) Merger reserve

The merger reserve of the Group represents the differences between the carrying amount of the share capital and share premium of Blu Spa Group Limited at the date on which it was acquired by the Company and the nominal amount of the Company's share issued in exchange pursuant to the group reorganisation. Blu Spa Group Limited had been disposed in prior years and therefore the merger reserve had been transferred to accumulated losses.

(b) Contributed surplus

Pursuant to the Companies Act 1981 of Bermuda and the special resolution passed at the extraordinary general meeting held on 28 February 2013, transfer a sum of approximately HK$175,357,000 from share premium account to the contributed surplus account was approved. The directors of the Company further approved to transfer a sum of approximately HK$278,124,000 from contributed surplus account to accumulated losses account for the purpose of setting off against the accumulated losses.

(c) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company.

(d) Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Year ended 01.01.2015 to 31.12.2015	Period from 01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(38,692)	(46,216)
Adjustments for:		
Depreciation of property, plant and equipment	4,482	2,321
Gain on disposal of a subsidiary	—	(1,359)
Loss/(gain) on disposal of property, plant and equipment	136	(9)
Impairment loss recognised in respect of other receivables	—	46,519
Interest expenses	981	1,170
Interest income	(249)	(1,641)
Reversal of impairment loss in respect of intangible asset	—	(350)
Written off of property, plant and equipment	2,003	322
Write-down of inventories	7	1
Operating cash flows before movements in working capital	(31,332)	758
(Increase)/decrease in inventories	(1,038)	690
Increase in trade receivables	(188)	(308)
(Increase)/decrease in deposits, prepayments and other receivables	(24,330)	295
Decrease in trade payables	(31)	(189)
Increase in amount due to a related company	16,286	—
Increase/(decrease) in accruals and other payables	11,926	(3,746)
Decrease in deposits from customers	(57)	(14)
Increase in deferred revenue	712	2,131
Cash used in operations	(28,052)	(383)
Interest paid	(630)	(876)
Net cash used in operating activities	(28,682)	(1,259)
INVESTING ACTIVITIES		
Interest received	229	63
Proceeds from/(placement of) restricted bank deposits	7,044	(38)
Proceeds from disposal of property, plant and equipment	360	30
Purchases of property, plant and equipment	(16,134)	(467)
Net cash used in investing activities	(8,501)	(412)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Year ended 01.01.2015 to 31.12.2015	Period from 01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of new shares	150,000	65,437
Share issuing expenses	(14,042)	(2,004)
Proceeds from other borrowings	14,602	2,450
Repayment of obligation under finance leases	(444)	(293)
Repayment of other borrowings	(12,181)	(61,000)
Repayment of promissory notes	(6,420)	(7,000)
Dividend paid to non-controlling interests	(5,341)	—
Net cash generated from/(used in) financing activities	126,174	(2,410)
Net increase/(decrease) in cash and cash equivalents	88,991	(4,081)
Cash and cash equivalents at the beginning of the reporting period	26,553	30,633
Effect of foreign exchange rate changes	511	1
Cash and cash equivalents at the end of the reporting period	116,055	26,553
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	116,055	26,553
Restricted bank deposits	12,657	19,701
	128,712	46,254
Less: restricted bank deposits	(12,657)	(19,701)
Cash and cash equivalents as stated in the consolidated statement of financial position	116,055	26,553

The accompany notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is Xing Hang Limited, a company incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company is an investment holding company and the principal activities of its subsidiaries are disclosed in note 45.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) ("**New CO**") regarding preparation of financial statements and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

Change of Financial Year-end date

Pursuant to a resolution of the board of directors of the Company passed on 15 October 2014, the Company's financial year end date was changed from 30 June to 31 December. Accordingly, the comparative amounts shown in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes covering the Group's six months of operation from 1 July 2014 to 31 December 2014 are not entirely comparable with the amounts for the current financial year which covered the Group's twelve months of operation.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning from 1 January 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

3. APPLICATION OF NEW AND REVISED HKFRSs *(continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 *Related Party Disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instrument[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 andHKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

4. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

4. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

HKFRS 9 *Financial Instruments* *(continued)*

The directors anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contracts(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors do not anticipated that the application of other new and revised HKFRSs will have material impact on these consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal amounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the year/period presented, unless otherwise stated.

(a) Basis of consolidation

Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests and measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are recognised in profit or loss as incurred.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Subsidiaries *(continued)*

Business combinations (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidated.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recognised directly in equity and attributed to owners of the Company.

Disposal of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to the profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Interests in subsidiaries

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to accumulated losses on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognises when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sales of beauty products and beauty equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the beauty products and beauty equipment are delivered to customers. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from service income is recognised when service are provided. Payments that are related to service not yet rendered are shown as deposits from customers and deferred revenue in the consolidated statement of financial position.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxation profit differs from “loss before taxation” as reported in consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Taxation *(continued)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(h) Property, plant and equipment

Property, plant and equipment is stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Plant and machinery	20%
Leasehold improvement	20%-33%
Furniture, fixtures and equipment	20%-33%
WIFI and connection equipment	33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Intangible asset

Trademark

Trademark is shown at historical cost and has a finite useful life and is carried at cost less accumulated amortisation and less any identified impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful lives of 20 years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statements of profit or loss and other comprehensive income.

Financial assets

The Group classifies its financial assets into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid and other receivables, restricted bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss and other comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Other financial liabilities

Other financial liabilities (including amount due to a former director, amount due to a related company, trade payables, accruals and other payables, other borrowings, promissory notes, convertible bonds and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amounts of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the cost of sales in the period in which the reversal occurs.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandises sold or services performed in the ordinary course of business. If collection of trade and other receivables are expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with banks.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some 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 end of the reporting period.

(p) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in the consolidated statement of profit or loss and other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Retirement benefits obligations

The Group operates the Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustree-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in People's Republic of China (the "**PRC**") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the government of the PRC is to make the specified contributions under the schemes.

(s) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties *(continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in (i);

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

(b) Impairment loss of trade and other receivables

The policy for impairment loss recognised in respect of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of reporting period.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(d) Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination is valued using a discounted cash flow model, based on the estimated compensation received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on the estimated profits of China Honest Enterprises Limited ("**China Honest**"), a 51% owned subsidiary of the Company.

(e) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 5d. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (note 20).

(f) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

7. REVENUE

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Sale of beauty products	**5,460**	1,648
Provision of therapy services	**40,768**	20,436
Provision of in-flight WLAN and WIFI engineering and services	**761**	—
	46,989	22,084

8. OPERATING SEGMENTS

The Group's reportable segments have been determined based on the information reported to the Chairman of the Board, being the chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's reportable segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other reportable segments. The Group currently has three reportable segments:

(a) Sale of beauty products
(b) Provision of therapy services
(c) Provision of in-flight WLAN and WIFI engineering and services

8. OPERATING SEGMENTS *(continued)*

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information for the year ended 31 December 2015 and for the six months ended 31 December 2014 by reportable segment are as follows:

For the year ended 31 December 2015

	Sale of beauty products	Provision of therapy services	Provision of in-flight WLAN and WIFI engineering and services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue	5,460	40,768	761	46,989
Results				
Segment (loss)/profit	(688)	11,478	(18,525)	(7,735)
Interest income on bank deposits *(note 9)*				249
Unallocated corporate income				3
Unallocated corporate expenses				(28,082)
Imputed interest on promissory notes *(note 11)*				(351)
Loss on disposal of property, plant and equipment *(note 10)*				(136)
Written off of property, plant and equipment *(note 10)*				(2,003)
Write-down of inventories *(note 10)*				(7)
Finance costs				(630)
Loss before taxation				(38,692)
Income tax expense *(note 14)*				(985)
Loss for the year				(39,677)

8. OPERATING SEGMENTS *(continued)*

At 31 December 2015

	Sale of beauty products	Provision of therapy services	Provision of in-flight WLAN and WIFI engineering and services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Assets				
Segment assets for reportable segments	2,471	9,347	129,911	141,729
Unallocated corporate assets				69,816
Consolidated total assets				211,545
Liabilities				
Segment liabilities for reportable segments	31	25,442	26,279	51,752
Unallocated corporate liabilities				19,616
Consolidated total liabilities				71,368

For the year ended 31 December 2015

	Sale of beauty products	Provision of therapy services	Provision of in-flight WLAN and WIFI engineering and services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information					
Amount included in the measure of segment (loss)/profit and segment assets					
Additions to property, plant and equipment	–	1,370	18,507	586	20,463
Depreciation of property, plant and equipment	–	1,671	82	2,729	4,482

8. OPERATING SEGMENTS *(continued)*

For the six months ended 31 December 2014

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Consolidated *HK$'000*
Revenue			
Segment revenue	1,648	20,436	22,084
Results			
Segment (loss)/profit	(547)	6,534	5,987
Interest income on bank deposits *(note 9)*			64
Unallocated corporate income			1,626
Unallocated corporate expenses			(7,599)
Gain on disposal of a subsidiary *(note 9)*			1,359
Gain on disposal of property, plant and equipment *(note 9)*			9
Imputed interest on convertible bonds *(note 11)*			(376)
Imputed interest on promissory notes *(note 11)*			(351)
Reversal of impairment loss recognised in respect of intangible assets *(note 9)*			350
Written off of property, plant and equipment *(note 10)*			(322)
Write-down of inventories *(note 10)*			(1)
Impairment loss recognised in respect of other receivables *(note 10)*			(46,519)
Finance costs			(443)
Loss before taxation			(46,216)
Income tax expense *(note 14)*			(827)
Loss for the period			(47,043)

8. OPERATING SEGMENTS *(continued)*

At 31 December 2014

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Consolidated *HK$'000*
Assets and liabilities			
Assets			
Segment assets for reportable segments	751	17,602	18,353
Unallocated corporate assets			72,013
Consolidated total assets			90,366
Liabilities			
Segment liabilities for reportable segments	135	25,110	25,245
Unallocated corporate liabilities			16,065
Consolidated total liabilities			41,310

For the six months ended 31 December 2014

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other segment information				
Amount included in the measure of segment (loss)/profit and segment assets				
Additions to property, plant and equipment	—	326	141	467
Depreciation of property, plant and equipment	—	929	1,392	2,321

8. OPERATING SEGMENTS *(continued)*

Segment revenue reported above represents revenue generated from external customer. There were no inter-segment sales in the current year (for the six months ended 31 December 2014: Nil).

Segments results represent (loss incurred)/profit earned by each segment without allocation of central administration costs including directors' emoluments, other income, finance costs and income tax expense. This is the measure reported to the chief operation decision makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than partial property, plant and equipment, partial inventories, partial deposits, prepayment and other receivables and goodwill that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and

— all liabilities are allocated to reportable segments other than amount due to a former director, partial accruals and other payables, tax payables, other borrowings and partial obligations under finance lease that are not attributable to individual segments.

Geographical information

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Continuing operations Revenue from external customers		Continuing operations Non-current assets	
	For the year ended 31 December 2015	For the six months ended 31 December 2014	**For the year ended 31 December 2015**	For the six months ended 31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**46,228**	22,084	**26,344**	30,911
PRC	**761**	—	**17,723**	4
	46,989	22,084	**44,067**	30,915

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2015 (for the six months ended 31 December 2014: Nil).

9. OTHER INCOME

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Gain on disposal of a subsidiary	—	1,359
Gain on disposal of property, plant and equipment	—	9
Interest income on bank deposits	249	64
Other interest income	—	1,578
Reversal of impairment loss recognised in respect of intangible asset *(note 19)*	—	350
Sundry income	3	48
	252	3,408

10. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Auditors' remuneration	613	500
Depreciation of property, plant and equipment* *(note 18)*	4,482	2,321
Loss on disposal of property, plant and equipment	136	—
Impairment loss recognised in respect of other receivables	—	46,519
Operating lease rentals in respect of rental premises*	7,492	3,104
Staff costs (including directors' and chief executive's emoluments):		
— salaries and other allowances	30,668	7,875
— retirement benefit schemes contributions	3,307	251
	33,975	8,126
Written off of property, plant and equipment	2,003	322
Write-down of inventories	7	1

* These items are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income. Depreciation of property, plant and equipment of approximately HK$1,503,000 (for the six months ended 31 December 2014: approximately HK$822,000), operating lease rentals in respect of rental premises of approximately HK$5,642,000 (for the six months ended 31 December 2014: approximately HK$2,864,000), salaries and other allowances of approximately HK$22,091,000 (for the six months ended 31 December 2014: approximately HK$5,610,000) and retirement benefit schemes contributions of approximately HK$2,824,000 (for the six months ended 31 December 2014: approximately HK$163,000) were included in "Cost of sales".

11. FINANCE COSTS

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	HK$'000
Imputed interest on promissory notes *(note 30)*	351	351
Imputed interest on convertible bonds *(note 31)*	—	376
Interest on finance leases	61	44
Interest on other borrowings	569	399
	981	1,170

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amount of emoluments paid or payable to the directors and chief executive of the Company during the year ended 31 December 2015 was approximately HK$1,668,000 (during the six months ended 31 December 2014: approximately HK$352,000). The emoluments of each director and chief executive for the year ended 31 December 2015 and for the six months ended 31 December 2014 is as below:

Name of directors	Fees		Salaries and other allowances		Retirement benefit schemes contributions		Total	
	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors								
Mr. Cai Zhaoyang *(Note (1))*	—	—	43	—	8	—	51	—
Mr. Chan Kin Wah, Billy	120	49	—	—	—	—	120	49
Mr. Lee Chan Wah	1,110	—	—	60	17	3	1,127	63
Mr. Wang Shangzhong *(Note (2))*	10	60	—	—	—	—	10	60
Mr. Yu Zhen Hua, Johnny *(Note (3))*	—	—	—	—	—	—	—	—
Independent non-executive directors								
Mr. Chu Kin Wang, Peleus	120	60	—	—	—	—	120	60
Mr. Tam B Ray, Billy	120	60	—	—	—	—	120	60
Mr. Tse Joseph	120	60	—	—	—	—	120	60
Total emoluments	1,600	289	43	60	25	3	1,668	352

Notes:

(1) Mr. Cai Zhaoyang was appointed on 23 November 2015
(2) Mr. Wang Shangzhong was resigned on 19 January 2015
(3) Mr. Yu Zhen Hua, Johnny was resigned on 19 January 2015

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2015 and the six months ended 31 December 2014.

During the year ended 31 December 2015 and the six months ended 31 December 2014, no emoluments have been paid by the Group to any of the director or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Cai Zhaoyang is also the chief executive and chairman of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Transactions, arrangements or contracts in which directors have material interests

Upon the completion of the subscription on 6 November 2015, 深圳多尼卡互聯技術有限公司(Donica Connectivity Technology Co. Ltd.*) ("**Donica Connectivity**"), a wholly owned subsidiary of the Company, and Shenzhen Donica Electronic Technology Co., Ltd. ("**Shenzhen Donica**") entered into the master supply agreement ("**Master Supply Agreement**"), pursuant to which the Company may purchase and certain in-flight WLAN and WIFI equipment (the "**In-flight Equipment**") and certain installation and related services (the "**Related Services**") for the Inflight Equipment to be provided by independent qualified engineering companies from Shenzhen Donica and Shenzhen Donica shall exclusively supply the In-flight Equipment and engage independent qualified engineering companies to provide the Related Services to Donica Connectivity from time to time during the term of the Master Supply Agreement to be used by customers of the Group.

At the time when the Master Supply Agreement was entered into, Xing Hang Limited was the controlling shareholder (as defined under the GEM Listing Rules) of the Company and Xing Hang Limited was in turn held by Mr. Cai Zhaoyang as to 82.50%. As Mr. Cai Zhaoyang also held approximately 41.98% equity interest in Shenzhen Donica, Shenzhen Donica was an associate of Xing Hang Limited and therefore a connected person of the Company. The transactions under the Master Supply Agreement constituted continuing transactions for the Company under Chapter 20 of the GEM Listing Rules.

The term of the Master Supply Agreement will last until and up to 31 December 2016. Upon expiry, the term of the Master Supply Agreement can be extended for one year (the "1st Extended Period") in the Company's absolute discretion.

For the In-flight Equipment supplied by Shenzhen Donica and the related services supplied by independent qualified engineering companies which are engaged by Shenzhen Donica under the Master Supply Agreement, the Donica Connectivity shall pay to Shenzhen Donica an aggregate price equivalent to the quantity purchased at the agreed unit prices of the In-flight Equipment as specified in the Master Supply Agreement (which is based on the current price charged by Shenzhen Donica to its existing customers less a discount), the related service charges based on the units to be installed at the prices specified in the Master Supply Agreement and the applicable value added tax rate. Further discount for the In-flight Equipment may be given if the Company purchases up to a certain quantity within a certain period of time exceeding the amount as set out in the Master Supply Agreement.

During the year ended 31 December 2015, amount of approximately HK$12,329,000 for purchase of property, plant and equipment.

* *for identification purpose only*

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals (excluding directors' and chief executive's emoluments as stated in note 12) for the year ended 31 December 2015 and for the six months ended 31 December 2014 were as follows:

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Salaries and other allowances	**6,694**	2,820
Retirement benefit schemes contributions	**151**	45
	6,845	2,865

Their emoluments were within the following brands:

	Number of employees	
	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
Nil – HK$1,000,000	**4**	4
HK$1,000,001 – 2,000,000	**—**	1
HK$2,000,001 – 4,000,000	**1**	—
	5	5

No five highest paid individuals were included in the section "Directors and Senior Management Profile" for the year ended 31 December 2015 and for the six months ended 31 December 2014.

14. INCOME TAX EXPENSE

Income tax expense recognised in the consolidated statement of profit or loss and other comprehensive income:

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Current tax expense:		
Hong Kong	**(985)**	(889)
Deferred taxation *(note 35)*	**—**	62
	(985)	(827)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2015/six months ended 31 December 2014. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the year ended 31 December 2015/six months ended 31 December 2014.

No provision for the PRC Enterprise Income Tax has been made for the year ended 31 December 2015/six months ended 31 December 2014 as the Group has no assessable profits arising in PRC.

The income tax expense for the year ended 31 December 2015/six months ended 31 December 2014 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Loss before taxation	**(38,692)**	(46,216)
Taxation at the domestic income tax rate	**8,523**	7,637
Tax effect of income not taxable for tax purpose	**143**	394
Tax effect of expenses not deductible for tax purpose	**(7,007)**	(8,159)
Estimated tax losses not recognised	**(2,644)**	(761)
Deferred tax credit	**—**	62
Income tax expense for the year/period	**(985)**	(827)

15. DISCONTINUED OPERATION

During the six months ended 31 December 2014, the directors of the Company decided to abandon a business segment of sale of beauty equipment, which constituted a major line of business. The abandonment was consistent with the Group's long-term policy to focus its activities on sale of beauty products and provision of therapy services. All its operations stopped during the six months ended 31 December 2014. In the consolidated financial statements for the six months ended 31 December 2014, the results and cash flows of the business segment of sale of beauty equipment are treated as discontinued operation.

During the six months ended 31 December 2014, the discontinued operation did not generate revenue nor make any profit or loss or cash flows.

16. LOSS PER SHARE

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

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Loss		
Loss for the year/period attributable to owners of the Company	**(42,086)**	(48,939)

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**126,789**	62,175

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding preferred shares since their exercise would result in a decrease in loss per share.

17. DIVIDENDS

The directors of the Company do not recommend any payment of dividends for the year ended 31 December 2015 (for the six months ended 31 December 2014: Nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvement HK$'000	Furniture, fixture and equipment HK$'000	WIFI and connection equipment HK$'000	Total HK$'000
Cost					
At 1 July 2014	4,320	9,343	3,771	—	17,434
Additions during the period	321	50	96	—	467
Disposals	(38)	—	—	—	(38)
Written off	(3)	(458)	—	—	(461)
At 31 December 2014 and at 1 January 2015	4,600	8,935	3,867	—	17,402
Additions during the year	1,370	276	585	18,232	20,463
Disposals	(914)	—	(202)	—	(1,116)
Written off	—	(2,752)	(5)	(372)	(3,129)
Exchange alignments	—	(5)	—	(326)	(331)
At 31 December 2015	**5,056**	**6,454**	**4,245**	**17,534**	**33,289**
Accumulated depreciation and impairment					
At 1 July 2014	597	1,149	842	—	2,588
Charged for the period *(note 10)*	822	1,041	458	—	2,321
Written back on disposals	(17)	—	—	—	(17)
Written off	(2)	(137)	—	—	(139)
At 31 December 2014 and at 1 January 2015	1,400	2,053	1,300	—	4,753
Charged for the year *(note 10)*	1,491	1,996	936	59	4,482
Written back on disposals	(516)	—	(104)	—	(620)
Written off	—	(1,123)	(3)	—	(1,126)
Exchange alignments	—	—	—	(1)	(1)
At 31 December 2015	**2,375**	**2,926**	**2,129**	**58**	**7,488**
Carrying amounts					
At 31 December 2015	**2,681**	**3,528**	**2,116**	**17,476**	**25,801**
At 31 December 2014	3,200	6,882	2,567	—	12,649

At 31 December 2015, included in the carrying amounts of furniture, fixture and equipment of approximately HK$11,000 is held under finance lease.

At 31 December 2014, included in the carrying amounts of plant and machinery and furniture, fixture and equipment of approximately HK$344,000 and HK$19,000 are held under finance leases respectively.

19. INTANGIBLE ASSET

	Trademark
	HK$'000
Cost	
At 1 July 2014	18,720
Disposal during the period	(18,720)
At 31 December 2014, at 1 January 2015 and at 31 December 2015	—
Accumulated amortisation and impairment	
At 1 July 2014	18,720
Reversal of impairment loss *(note 9)*	(350)
Written back on disposal	(18,370)
At 31 December 2014, at 1 January 2015 and at 31 December 2015	—
Carrying amounts	
At 31 December 2015	—
At 31 December 2014	—

Intangible asset represents the trademark "Blu Spa" (the "**Trademark**") used by the Group on its products and therapy services. Such intangible asset is amortised on a straight-line basis over 20 years and its estimated remaining useful life is 4.5 years at the end of the reporting period.

On 24 September 2014, the Group disposed of the Trademark with a carrying amount of HK$350,000 to an independent third party at a consideration of HK$350,000. A reversal of impairment loss amounting to HK$350,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2014.

20. GOODWILL

	HK$'000
Cost	
At 1 July 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	18,266
Accumulated impairment loss	
At 1 July 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	—
Carrying amount	
At 31 December 2015	**18,266**
At 31 December 2014	18,266

Impairment test of goodwill

Goodwill acquired through business combination has been allocated to the sale of beauty products and provision of therapy services CGUs (the "**Group of CGUs**"), which are reportable segments, for impairment testing.

The recoverable amount of the Group of CGUs is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company covering a five-year period, and a discount rate of 15.54% per annum (2014: 17.51% per annum).

Cash flow projects during the budget period are based on the financial budget approved by the management covering a five-year period and assumed growth rate are used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a five-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 3.5% (2014: 3.5%) per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Group of CGUs with reference to the valuation performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, and determined that no impairment loss has been recognised in respect of goodwill related to the Group of CGUs for the year ended 31 December 2015 and the six months ended 31 December 2014 as its recoverable amount exceeds the carrying amount.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the groups of CGUs to exceed the aggregate its recoverable amount.

21. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Finished goods	**2,954**	1,923

For the year ended 31 December 2015, the cost of inventories recognised as expenses and included in "cost of sales" amounted to HK$7,537,000 (for the six months ended 31 December 2014: approximately HK$3,011,000).

During the year ended 31 December 2015, certain inventories were obsolete that could not generate future economic benefits and a write-down of inventories of approximately HK$7,000 (for the six months ended 31 December 2014: approximately HK$1,000) was recognised.

22. TRADE RECEIVABLES

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

The Group allows credit period ranging from 0 day to 120 days to its customers. Details of the ageing analysis of trade receivables that are not considered to be impaired and based on the invoice dates are as follows:

	2015	2014
	HK$'000	*HK$'000*
0 — 30 days	**4,022**	3,979
31 — 60 days	**1,565**	1,057
61 — 90 days	**147**	428
91 — 120 days	**—**	82
	5,734	5,546

At 31 December 2015 and 2014, the Company had no trade receivables past due but not impaired. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Deposits paid *(Note a)*	**15,667**	2,238
Prepayments	**2,798**	871
Other receivables *(Notes b and c)*	**299,552**	290,558
Less: impairment loss recognised	**(287,939)**	(287,939)
	11,613	2,619
	30,078	5,728

Notes:

(a) On 16 December 2015, Donica Connectivity, a indirect wholly owned subsidiary of the Company, entered into the finance lease agreement with the lessor to lease certain connecting devices which facilitate passengers to access the information and entertainment contents through the in-flight WLAN or WIFI connection equipment (the "**Equipment**"). The Equipment was guaranteed by the amount of approximately HK$12,752,000, which provided by Century Finance Limited ("**Century Finance**"), a indirect wholly owned subsidiary of the Company. Details of the transaction are set out in the Company's announcement dated 16 December 2015.

(b) On 30 April 2010, BSHK entered into a sale and purchase agreement with Mr. Shum Yeung ("**Mr. Shum**"), pursuant to which BSHK had agreed to acquire (a) 70% of the entire issued share capital of an entity and (b) a shareholder's loan to such entity at a total consideration of HK$80,000,000.

The acquisition did not proceed and the Group has entered into various deed of termination and deeds of settlement with Mr. Shum and a deed of guarantee with Dutfield International Group Company Limited ("**Dutfield**") in relation to the repayment of the refundable deposit. As Mr. Shum defaulted in the full repayment of the refundable deposit and the accrued contractual interest despite repeated demands and requests, the Company had obtained a judgement against Mr. Shum pursuant to which it was adjudged, inter alia, that Mr. Shum shall pay to the Company the sum of HK$39,127,500 (being the amount of the outstanding and unpaid refundable deposit) together with contractual interest at the rate of 30% per annum from 1 May 2013 to 6 September 2013 and thereafter at judgement rate pursuant to s.48 of the High Court Ordinance until payment. As at 31 December 2014, the aggregate amount of the outstanding and unpaid refundable deposit and the accrued interest was approximately HK$46,500,000. Since (i) Mr. Shum failed to settle the judgement debt and the accrued interest and commenced various legal actions to prevent the Company from recovering the judgement debt and the accrued interest including a fresh legal action as announced by the Company in its announcement dated 23 January 2015; (ii) it was unclear whether and when the Company would be able to receive the judgement debt and the accrued interest in full from selling (1) the charged shares in Mr. Shum's companies; and (2) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages given that the Company did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum's interest in the charged properties and the outstanding loan amounts under the mortgages; and (iii) the ability of Dutfield to fulfil its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of HK$141,360,000 under a loan agreement but Dutfield failed to obtain a summary judgement against the debtor and the outcome of the legal proceedings was uncertain, the Company decided to recognise an impairment on the judgement debt and the accrued interest in the aggregate amount of approximately HK$46,500,000. For further details, please refer to the Company's announcements and the sub-section headed "Litigation" in the section headed "Management Discussion and Analysis" of the annual report dated 18 September 2014 for the year ended 30 June 2014 of the Company.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(c) At 30 June 2014, included in "Deposits, prepayments and other receivables" of the Group was the amounts due from the unconsolidated subsidiaries ("**Unconsolidated Subsidiaries**") amounted to approximately HK$241,426,000 and accumulated impairment loss of approximately HK$241,426,000 of which approximately HK$80,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 30 June 2014. The Unconsolidated Subsidiaries was de-consolidated with effect from 1 July 2011. Accordingly, the amounts due from the Unconsolidated Subsidiaries were reclassified from intercompany balances to the amounts due from the Unconsolidated Subsidiaries in the consolidated financial statements and the above-mentioned impairment loss was recognised. The amounts due from the Unconsolidated Subsidiaries are non-interest bearing, unsecured and repayable on demand. On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of Blu Spa Group Limited ("**BSG**") to Koffman Investment Limited at a cash consideration of HK$1.00. BSG was the intermediate holding company of the Unconsolidated Subsidiaries. The disposal was completed on 19 December 2014.

24. CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	*HK$'000*
Cash at bank and on hand	116,055	26,553
Restricted bank deposits:		
Interest-bearing	12,657	12,554
Non-interest bearing	—	7,147
	128,712	46,254

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$401,000 (2014: approximately HK$64,000).

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted bank deposits were deposits held at bank in respect of credit card and instalment sales arrangement from its sale of beauty products and provision of therapy service business for varying periods of between one month to three months and earn interest rates ranging from 0.05% to 0.70% per annum (2014: 0.90% to 1.03% per annum).

At 31 December 2014, restricted bank deposits with the amount of approximately HK$7,147,000 was interest-free and maturing on 4 July 2015.

25. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.10 each (2014: HK$0.10 each)		
Authorised:		
At 1 July 2014, at 31 December 2014 and at 1 January 2015	5,000,000	500,000
Reclassification *(Note a)*	(50,000)	(5,000)
At 31 December 2015	**4,950,000**	**495,000**
Issued and fully paid:		
At 1 July 2014	13,122	1,312
Conversion of convertible bonds *(Note b)*	40,000	4,000
Open offer of new shares *(Note c)*	19,061	1,906
Placing of new shares *(Note d)*	2,620	262
At 31 December 2014 and 1 January 2015	74,803	7,480
Subscription of shares *(Note a)*	345,000	34,500
At 31 December 2015	**419,803**	**41,980**
Preferred shares of HK$0.10 each		
Authorised:		
At 1 July 2014, at 31 December 2014 and at 1 January 2015	—	—
Reclassification *(Note a)*	50,000	5,000
At 31 December 2015	**50,000**	**5,000**
Issued and fully paid:		
At 1 July 2014, at 31 December 2014 and at 1 January 2015	—	—
Subscription of shares *(Note a)*	30,000	3,000
At 31 December 2015	**30,000**	**3,000**

25. SHARE CAPITAL *(continued)*

Notes:

(a) On 17 February 2015, the Company and certain subscribers ("**Subscribers**") entered into a subscription agreement ("**Subscription Agreement**"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 375,000,000 subscription shares ("**Subscription Share(s)**"), comprising 345,000,000 new ordinary shares and 30,000,000 new preferred shares ("**Preferred Shares**") at an issue price of HK$0.40 per Subscription Share (the "**Subscription**"). The aggregate gross subscription price amounts to approximately HK$150,000,000.

As one of the conditions precedent to the Subscription Agreement, the Company has reclassified and redesignated the existing shares of the Company of HK$0.01 each in the authorised share capital of the Company into 4,950,000,000 ordinary shares of HK$0.01 each and 50,000,000 preferred shares of HK$0.01 each.

The Subscription was completed on 6 November 2015, pursuant to the special mandate obtained at the special general meeting of the Company held on 30 October 2015 and according to the terms of the Subscription Agreement, 345,000,000 new ordinary shares have been duly allotted and issued as fully paid to the Subscribers and 30,000,000 Preferred Shares have been duly allotted and issued as fully paid to the Subscribers.

The total net proceeds of HK$135,958,000 were intended to be used for (i) raise a substantial amount of additional funds, which provides the Group with the financial flexibility necessary for future business development in the provision of in-flight WLAN and WIFI engineering and service business in parallel to its existing business; (ii) improve its financial position and liquidity; and (iii) leverage the expertise and business network of Mr. Cai Zhaoyang to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC.

Each preferred share is convertible into one ordinary share (subject to adjustment) by the preferred shareholder serving the conversion notice to the Company within the conversion period, without the payment of any additional consideration after the Preferred Shares have been fully paid according to the terms set out in the Subscription Agreement.

The holders of the Preferred Shares are not entitled to attend or vote at any general meeting of the Company and none of the Preferred Shares shall receive any dividend out of the funds of the Company available for distribution.

(b) During the six months ended 31 December 2014, New Cove Limited ("**New Cove**"), a wholly-owned subsidiary of Eternity Investment Limited ("**Eternity**"), converted the principal amount of HK$40,000,000 of the convertible bonds of the Company into an aggregate of 40,000,000 ordinary shares of the Company at the initial conversion price of HK$1.00 per ordinary share.

(c) On 11 August 2014, 19,061,000 new ordinary shares of HK$0.10 each were allotted and issued at a subscription price of HK$3.00 per ordinary share by way of open offer to the qualifying shareholders of the Company on the basis of one new ordinary share for every two existing ordinary shares held on 16 July 2014. The net proceeds of HK$54,000,000 were used for the repayment of the outstanding loan indebted to Hong Kong Builders Finance Limited ("**HK Builders**"), a wholly-owned subsidiary of Eternity.

(d) On 28 August 2014, 2,620,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$3.15 per ordinary share by way of placing of new shares under general mandate, raising HK$7,860,000 (net of proceed), of which HK$7,540,000.00 was intended to be used for the repayment of all outstanding loan indebted to HK Builders and approximately HK$320,000 was used for general working capital of the Group.

26. AMOUNT DUE TO A FORMER DIRECTOR/A RELATED COMPANY

The amount due to a former director/a related company is interest-free, unsecured and repayable on demand.

27. TRADE PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	179	210

The following is an analysis of trade payables by age based on the invoice dates:

	2015	2014
	HK$'000	*HK$'000*
0 — 30 days	179	177
31 — 60 days	—	—
61 — 90 days	—	—
91 — 120 days	—	—
Over 120 days	—	33
	179	210

28. ACCRUALS AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Accruals	7,224	3,076
Other payables	9,782	2,004
	17,006	5,080

29. OTHER BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Interest bearing other borrowings	6,271	2,450
Non-interest bearing other borrowing	—	1,400
	6,271	3,850

Carrying amount repayable:

	2015	2014
	HK$'000	*HK$'000*
Within one year or on demand	6,271	3,850

Interest bearing other borrowing with the amount of approximately HK$3,786,000 (2014: approximately HK$2,450,000) was interest bearing at 5% per annum (2014: 5%), unsecured and repayable within one year. The interest bearing other borrowings outstanding at 31 December 2014 with the amount of approximately HK$2,450,000 was repaid during the year ended 31 December 2015.

Interest bearing other borrowing with the amount of approximately HK$2,485,000 was interest bearing at 10% per annum, unsecured and repayable within one year.

Non-interest bearing other borrowing was unsecured and repayable on demand. The non-interest bearing other borrowing was fully repaid during the year ended 31 December 2015.

30. PROMISSORY NOTES

	HK$'000
At 1 July 2014	12,718
Imputed interest on promissory notes *(note 11)*	351
Repayment of promissory notes	(7,000)
At 31 December 2014 and at 1 January 2015	6,069
Imputed interest on promissory notes *(note 11)*	351
Repayment of promissory notes	(6,420)
At 31 December 2015	—

30. PROMISSORY NOTES *(continued)*

Note:

On 11 April 2014, the Company issued four promissory notes in the aggregate principal amount of HK$13,420,000 to two independent third parties (the "**Vendors**") as part of the consideration for the acquisition (the "**Acquisition**") of 51% equity interest in China Honest Enterprises Limited ("**China Honest**") by the Group. The four promissory notes are interest-free and unsecured. Two of the promissory notes in the principal amounts of HK$2,608,000 and HK$4,392,000 (collectively, the "PNs I") were maturing on 30 June 2014. The remaining two promissory notes in the principal amounts of HK$4,028,000 and HK$2,392,000 (collectively, the "**PNs II**") were maturing on 30 June 2015.

Pursuant to the terms of the Acquisition, the Vendors have irrevocably and unconditionally warranted and guaranteed to the Company the profits before taxation and extraordinary items of China Honest for the years ending 31 March 2014 and 2015 will not be less than HK$4,000,000 (the "**2014 Guaranteed Profit**") and HK$9,000,000 (the "**2015 Guaranteed Profit**") respectively. In the event of the 2014 Guaranteed Profit or 2015 Guaranteed Profit is not fulfilled, the Vendors shall compensate the Group an amount equivalent to the shortfall by way of setting off the shortfall against the face value of the PNs I (for the shortfall in respect of the year ending 31 March 2014) or the PNs II (for the shortfall in respect of the year ending 31 March 2015) on a dollar to dollar basis.

The 2014 Guaranteed Profit and 2015 Guaranteed Profit were fulfilled, the PNs I and the PNs II were fully repaid on 27 July 2014 and 30 June 2015 respectively.

31. CONVERTIBLE BONDS

On 22 May 2014, the Company issued convertible bonds in the principal amount of HK$40,000,000 to New Cove. The convertible bonds are interest-free and are convertible into 40,000,000 shares of the Company at a conversion price of HK$1.00 per share (subject to adjustment) at any time up to the maturity date on 22 November 2016.

The convertible bonds contain two components: liability and equity components. The equity component is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.15% per annum, based on an independent valuation carried out by Roma Appraisals Limited.

On 2 July 2014 and 30 September 2014, New Cove converted the principal amount of HK$25,000,000 and HK$15,000,000 of the convertible bonds into 25,000,000 ordinary shares and 15,000,000 ordinary shares of the Company at the initial conversion price of HK$1.00 per share. At 31 December 2015 and 2014, the Group did not have any outstanding convertible bonds due to New Cove.

	HK$'000
At 1 July 2014	29,712
Imputed interest on convertible bonds *(note 11)*	376
Conversion into ordinary shares	(30,088)
Liability component at 31 December 2014, at 1 January 2015 and at 31 December 2015	**—**

32. DEPOSITS FROM CUSTOMERS

	2015	2014
	HK$'000	*HK$'000*
Deposits from customers	23	80

The deposits from customers represented the deposits received for therapy services and beauty products.

33. DEFERRED REVENUE

An aged analysis, based on invoice dates, of deferred revenue is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	15,880	17,393
More than one year but within two years	8,832	6,607
	24,712	24,000

The movement of deferred revenue is as follows:

	HK$'000
At 1 July 2014	21,869
Sales contracts entered into during the period *(Note a)*	22,577
Revenue recognised upon the provision of services *(Note b)*	(18,510)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(1,704)
Revenue recognised for sales and redemptions of beauty products	(48)
Refunds of treatment packages *(Note d)*	(184)
At 31 December 2014 and at 1 January 2015	24,000
Sales contracts entered into during the year *(Note a)*	41,554
Revenue recognised upon the provision of services *(Note b)*	(36,260)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(3,921)
Revenue recognised for sales and redemptions of beauty products	(179)
Refunds of treatment packages *(Note d)*	(482)
At 31 December 2015	**24,712**

33. DEFERRED REVENUE *(continued)*

Notes:

(a) The amounts represent receipts from provision of therapy services to clients during the year/period which were to be settled via credit cards, Electronic Payment System, cash and instalment payment arrangement.

(b) The amounts represent revenue recognised in the consolidated statement of profit or loss and other comprehensive income as a result of therapy services rendered to clients during the year ended 31 December 2015 and six months ended 31 December 2014.

(c) The amounts represent revenue recognised in consolidated statement of profit or loss and other comprehensive income for prepaid service packages expired in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 3 months to 2 years from the invoice date of the sale contracts.

(d) The amounts represent refunds of treatment packages as a result of certain clients' claims for the year ended 31 December 2015 and for the six months ended 31 December 2014 in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

At 31 December 2015 and 2014, the entire balance of deferred revenue was aged within 2 years from the date when the respective sales contracts were entered into.

34. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2015 and 31 December 2014, the Group leased certain of its plant and machineries, a digital photocopier, equipment and WIFI and connection equipment under finance leases. The lease term is ranging from 1 year to 2 years (2014: 1 year to 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0% to 3% per annum for the year/period. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**4,390**	509	**4,338**	444
More than one year and less than five years	**2**	11	**2**	11
	4,392	520	**4,340**	455
Less: future finance charges	**(52)**	(65)	**—**	—
	4,340	455	**4,340**	455
Less: amounts due for settlement within 12 months (shown under current liabilities)			**(4,338)**	(444)
Amounts due for settlement after 12 months			**2**	11

34. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

At 31 December 2015, included in obligations under finance leases with the amounts of approximately HK$11,000 (2014: approximately HK$20,000) is interest-free and secured by the Group's title to the leased assets with the amount of HK$11,000 (2014: approximately HK$19,000).

At 31 December 2015, included in the obligations under finance leases with the amounts of approximately HK$4,329,000 was secured by the amount of approximately HK$12,752,000 included in deposits paid (note 23), which provided by Century Finance.

At 31 December 2014, included in the obligations under finance leases with the amount of approximately HK$435,000, is secured by a guarantee from the Government of the HKSAR, a joint and several guarantee from a key management personnel of China Honest and an independent third party and the Group's title to the leased assets with the amount of approximately HK$344,000. The finance lease was fully repaid during the year ended 31 December 2015.

35. DEFERRED TAXATION

The followings are the deferred tax liabilities recognised and movements thereon:

	Convertible bonds
	HK$'000
At 1 July 2014	1,697
Conversion of convertible bonds	(1,635)
Credited to profit or loss *(note 14)*	(62)
At 31 December 2014, at 1 January 2015 and at 31 December 2015	**—**

At 31 December 2015, the Group has unused estimated tax losses of approximately HK$87,942,000 (2014: approximately HK$71,918,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely for offsetting against future taxable profits.

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2015	2014
	HK$'000	*HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	5	7
Interests in subsidiaries	39,876	43,217
	39,881	43,224
Current assets		
Deposits, prepayments and other receivables	4,183	1,689
Cash and cash equivalents	102,277	12,694
	106,460	14,383
Total assets	146,341	57,607
EQUITY		
Capital and reserves		
Share capital — ordinary shares	41,980	7,480
Share capital — preferred shares	3,000	—
Reserves	88,573	40,071
Total equity	133,553	47,551
LIABILITIES		
Current liabilities		
Amount due to a former director	64	64
Accruals and other payables	10,239	3,923
Other borrowings	2,485	—
Promissory notes	—	6,069
Total liabilities	12,788	10,056
Total equity and liabilities	146,341	57,607
Net current assets	93,672	4,327
Total assets less current liabilities	133,553	47,551

Cai Zhaoyang
Director

Lee Chan Wah
Director

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

	Share premium	Contributed surplus	Convertible bonds reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2014	—	27,141	8,934	(36,951)	(876)
Loss and total comprehensive expenses for the period	—	—	—	(48,041)	(48,041)
Conversion of convertible bonds	36,658	—	(8,934)	—	27,724
Open offer of new shares	55,277	—	—	—	55,277
Placing of new shares	7,991	—	—	—	7,991
Share issue expense	(2,004)	—	—	—	(2,004)
At 31 December 2014 and at 1 January 2015	97,922	27,141	—	(84,992)	40,071
Loss and total comprehensive expenses for the year	—	—	—	(11,937)	(11,937)
Subscription of shares	112,500	—	—	—	112,500
Share issue expenses	(14,042)	—	—	—	(14,042)
At 31 December 2015	**196,380**	**27,141**	**—**	**(96,929)**	**126,592**

37. BUSINESS COMBINATION

For the six months ended 31 December 2014

On 18 December 2014, the Company entered into a sale and purchase agreement with Huanxi Media Group Limited (formerly known as 21 Holdings Limited) ("**Huanxi**"), for acquiring the entire shares in and the shareholders loan due by Century Capital Holdings Limited ("**Century Capital**") at a cash consideration of HK$1. Three directors of Huanxi are the directors of Eternity, the controlling shareholder of the Company. The acquisition was completed on 18 December 2014.

	HK$'000
Consideration:	
— Cash paid	—
Total consideration	—

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Amount due to shareholder	(747,444)
Total identifiable net liabilties at fair value	(747,444)
Shareholder's loan assigned to the Group	747,444

	HK$'000
Net cash outflow on acquisition of a subsidiary	
Consideration paid in cash	—
Less: cash and cash equivalent balances acquired	—
	—

Century Capital did not contribute any revenue and profit to the Group during the period from 18 December 2014, being the date of acquisition, to 31 December 2014.

Had the combination taken place on 1 July 2014, there would have no material effect on the revenue of the Group and the loss of the Group for the period ended 31 December 2014. The pro forma information is for illustrative purpose only.

38. DISPOSAL OF SUBSIDIARIES

For the six months ended 31 December 2014

On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of BSG to Koffman Investment Limited ("**KIL**") at a cash consideration of HK$1. The disposal was completed on 19 December 2014. Details of the assets and liabilities of BSG and its subsidiaries are set out as follows:

	HK$'000
Amounts due to the Unconsolidated subsidiaries	(1,359)
Net liabilities disposed of	(1,359)
Gain on disposal of a subsidiary	
Cash consideration received	—
Net liabilities disposed of	1,359
	1,359
Net cash inflow arising from disposal	
Consideration paid in cash	—
Less: cash and cash equivalents disposed of	—
	—

39. COMMITMENTS

Lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**6,639**	4,096
In the second to fifth year inclusive	**6,703**	415
	13,342	4,511

39. COMMITMENTS *(continued)*

Lease commitments *(continued)*

The Group as lessee *(continued)*

Operating lease payments represent rentals paid or payable by the Group for its office and retail shops premises. Leases are mainly negotiated for an average terms of one to three years.

Rentals are fixed over the guarantee rental or a sales level based on the higher of a minimum guarantee rentals or a sales level based rental. As the future sales could not be reliably determined, the relevant sales level based rental has not been included above and only the minimum lease commitments have been included in the above table. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

Capital commitment

The Group had the following outstanding commitment at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Authorised and contracted, but not provided for:		
— Acquisition of property, plant and equipment	8,179	—

40. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme, the MPF Scheme, for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up of the MPF Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,500 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$30,000 (HK$25,000 prior to 1 June 2014) (the "**Mandatory Contribution**"). The employees are entitled to 100% of the Mandatory Contribution upon their retirement at the age of 65 years, death or total incapacity.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the government of the PRC is to make the specified contributions under the schemes.

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in amount due to a former director (note 26), amount due to a related company (note 26) and elsewhere to the consolidated financial statements, the Group entered into the following material transactions with related parties during the year/period:

Name of parties	Nature of transactions	01.01.2015 to 31.12.2015 HK$'000	01.07.2014 to 31.12.2014 HK$'000
HK Builders *(Note a)*	Interest on other borrowings	—	384
KIL *(Note b)*	Interest on other borrowings	6	15
Koffman Corporate Service Limited ("**KCSL**") *(Note c)*	Rental expenses	25	240
Shenzhen Donica *(Note d)*	Purchase of property, plant and equipment	12,329	—

Notes:

(a) HK Builders is a subsidiary of Eternity, the controlling shareholder of the Company up to 6 November 2015.

(b) The issued share of KIL is 50% owned by Mr. Yu Zhen Hua, Johnny, the chairman and a director of the Company, who resigned on 19 January 2015.

(c) The issued share of KCSL is 100% owned by Mr. Yu Zhen Hua, Johnny, the chairman and a director of the Company, who resigned on 19 January 2015.

(d) Shenzhen Donica is 41.98% owned by Mr. Cai Zhaoyang, the Executive Director, Chairman and Chief Executive Officer of the Company. The above transactions were conducted in the normal course of business of the Company and charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.

Compensation for key management personnel

Emoluments for key management personnel including amount paid to the directors and chief executive of the Company and certain of the highest paid employees, as disclosed in notes 12 and 13 to the consolidated financial statements, are as follows:

	01.01.2015 to 31.12.2015 HK$'000	01.07.2014 to 31.12.2014 HK$'000
Director fees	1,600	289
Salaries and other allowances	43	60
Retirement benefit scheme contributions	25	3
	1,668	352

42. CAPITAL MANAGEMENT

Capital risk management

The primary objective of the Group's capital management is to safeguard that the entities in the Group will be able to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue of new shares and repurchase of shares as well as obtain borrowings from banks or other third parties. The Group's capital management objective, policies or processes were unchanged from prior year.

The Group is not subject to any external imposed capital requirements.

Capital risk management

The Group monitors capital using gearing ratio, which is the Group's total borrowings over equity attributable to owners of the Company. The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

	2015	2014
	HK$'000	*HK$'000*
Total borrowings *(Note a)*	**10,611**	10,374
Less: cash and cash equivalents	**(116,055)**	(26,553)
Net cash	**(105,444)**	(16,179)
Equity attributable to owners of the Company	**139,352**	45,299
Gearing ratio	**7.6%**	22.9%

Note:

(a) Borrowings include other borrowings, promissory notes, convertible bonds and obligations under finance leases.

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	161,726	56,657
Financial liabilities		
Amortised cost	44,146	15,728

Financial risk management objectives and policies

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. These risks include credit risk and liquidity risk.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables and cash and bank balances. At 31 December 2015, 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 and the financial guarantees issued by the Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the executive directors of the Company are 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 and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the executive directors of the Company consider that the Group's credit risk is significantly reduced.

The Group deposited its cash and bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management of the Company monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk as at 31 December 2015 and 31 December 2014 were minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

43. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

(b) Liquidity risk

Ultimate responsibility for liquidity risk rests with the Board, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate level of cash and cash equivalent and by continuously monitoring forecast and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total un-discounted cash flows	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015					
Amount due to a former director	64	—	—	64	64
Amount due to a related company	16,286	—	—	16,286	16,286
Trade payables	179	—	—	179	179
Accruals and other payables	17,006	—	—	17,006	17,006
Other borrowings	6,490	—	—	6,490	6,271
Obligations under finance leases	4,390	2	—	4,392	4,340
	44,415	2	—	44,417	44,146
At 31 December 2014					
Amount due to a former director	64	—	—	64	64
Trade payables	210	—	—	210	210
Accruals and other payables	5,080	—	—	5,080	5,080
Other borrowings	3,930	—	—	3,930	3,850
Promissory notes	6,051	—	—	6,051	6,069
Obligations under finance leases	509	11	—	520	455
	15,844	11	—	15,855	15,728

43. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values of derivative instruments are determined based on the quoted prices provided by the securities' broker; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the estimated future cash flows and the current market rate of return.

Except for the promissory notes, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair values:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*
Promissory notes	—	—	6,069	6,051

44. LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in elsewhere of the consolidated financial statements, the Group has the following litigation and contingent liabilities:

(a) On 23 January 2015, the Company received a writ of summons in the High Court Action No. 200 of 2015 issued by Mr. Shum Yeung ("**Mr. Shum**") as the plaintiff against the Company as the defendant for the following claims:

(i) the judgement in High Court Action No. 1775 of 2012 dated 6 September 2013 (the "**Summary Judgement**"), is relating to which the Court of First Instance of the High Court of Hong Kong (the "**Court**") adjudged that Mr. Shum do pay the Company the sum of HK$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgement rate pursuant to s.48 of High Court Ordinance until payment (the "**Judgement Debt**"); and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company's application for Summary Judgement to be taxed if not agreed, entered against Mr. Shum be set aside;

44. LITIGATION AND CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

(ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgement being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the Summary Judgement;

(iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;

(v) the cost; and

(vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the Court filed by Mr. Shum in relation to the High Court Action No. 200 of 2015 to claim against the Company for: (i) the Summary Judgement be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgement against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgement; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, the Company filed a defence to refute the statement of claim in that action on the basis, among others: that (i) Mr. Shum was bound by the Summary Judgement; and (ii) the Company denied the allegations raised against the Company by Mr. Shum in the statement of claim. Furthermore, on 10 December 2015, the Company filed an inter parties summons for an application to strike out the writ of Summons and statement of claim filed by Mr. Shum in that action. A substantive hearing of such application has been fixed to be held on 8 June 2016.

(b) On 19 May 2015, the Board announced that the Company commenced legal proceedings (the "**May Proceedings**") in the Court against Mr. Shum as the 1st Defendant, E In International Group Limited as the 2nd Defendant, E In Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant ("**High Court action No. 1234 of 2015**") for, amongst others, the following reliefs to recover the Judgement Debt under the Summary Judgement:

(i) Mr. Shum's interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the "**Shares**") which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(ii) the solicitors for the Company shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;

(iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;

(iv) the Company shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgement Debt (together with interest) under the Summary Judgement; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

44. LITIGATION AND CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

(v) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to (a) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgement Debt (together with interest) under the Summary Judgement; and

(vi) the costs of the May Proceedings to the Company.

The hearing of the May Proceedings had originally been fixed on 25 June 2015. On 19 June 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the May Proceedings pending the determination of HCA No. 200 of 2015 (the "**Application for stay of the May Proceedings**"). Upon the consent of the parties, the court ordered that the May Proceeding and the Application for stay of the May Proceedings be adjourned to be heard together on 23 September 2015.

The 23 September 2015 Hearing

During the hearing of the 23 September 2015 (the "**23 September 2015 Hearing**"), the Company agreed to withhold the enforcement of the Summary Judgement pending the resolution of the High Court Action No. 200 of 2015 in which a writ of summons was issued by Mr. Shum as the plaintiff against the Company as the defendant for, inter alia, setting aside the Summary Judgement, on the condition that Mr. Shum shall pay the judgement sum together with interest accrued under the Summary Judgement into Court. It was therefore ordered by the Court (the "**23 September 2015 Order**") that unless either:

(i) Mr. Shum was able to provide a guarantee to secure HK$47,767,709.60 being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgement (the "**Judgement Sum**") which was agreed by the Company in writing or approved by the Court; or

(ii) alternatively, Mr. Shum paid the Judgement Sum into Court,

within a period of 28 days from the date of the 23 September 2015 Order, the order by the Court for the appointment of receivers by way of equitable execution over (a) all shares (the "**Shares**") of E In International Group Limited, E In Properties Limited and Grand Fill Enterprise Limited, being companies wholly-owned by Mr. Shum; and (b) all Mr. Shum's interests benefits and/or rights in the Properties would take effect.

On 19 October 2015, the Company was served with a summons taken out by Mr. Shum seeking for an extension of time of 14 days from the date of the 23 September 2015 Order. At the hearing on 20 October 2015, it was ordered by the Court that the period of 28 days from the date of the 23 September 2015 Order be extended for 14 days to 5 November 2015.

On 2 November 2015, it was ordered by the Court that the draft bank guarantee provided by Mr. Shum for the purpose of securing the Judgement Sum was not approved.

On 5 November 2015, the Company received a notice from Mr. Shum's solicitors that Mr. Shum had paid HK$47,767,709.60 into the Court in compliance with the 23 September 2015 Order. Under the 23 September 2015 Order, upon the payment into the Court by Mr. Shum, the order for the appointment of receivers as mentioned above shall be forthwith discharged.

44. LITIGATION AND CONTINGENT LIABILITIES *(continued)*

(c) On 9 June 2015, the Board announced that the Company commenced legal proceedings (the "June Proceedings") in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgement Debt under the Summary Judgement:

(i) Mr. Shum's interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the "First Property"); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the "Second Property"); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the "Third Property") (collectively as the "Properties") which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(ii) the solicitors for the Company shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;

(iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;

(iv) the Company shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the judgement debt (together with interest) owed to the Company under the Summary Judgement; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(v) the Company shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the judgement debt (together with interest) owed to the Company under the Summary Judgement; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(vi) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;

(vii) such further and/or other directions as the Court shall deem fit; and

(viii) the costs of the June Proceedings to the Company.

The hearing of the June Proceedings had been fixed on 9 July 2015. On 2 July 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the June Proceedings pending the determination of HCA No. 200 of 2015 (the "**Application for stay of the June Proceedings**"). At the hearing held on 9 July 2015, the Court ordered that the June Proceedings and the Application for stay of the June Proceedings be adjourned to be heard together on 23 September 2015. The details of the hearing on 23 September 2015 are set out in the section headed "The 23 September 2015 Hearing" of note (b) above.

In view of the above, the directors of the Company are of the view that no provision for the claims of these legal proceedings is required to be made at this stage.

45. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of ownership interest and voting power held by the Company		Principal activities
			Directly %	Indirectly %	
Century Capital	British Virgin Islands	US$1	100	—	Investment holding
Century Finance (BVI) Limited	British Virgin Islands	US$1	—	100	Investment holding
Century Finance	Hong Kong	HK$1	—	100	Investment holding
China Honest Enterprises Limited ("**China Honest**")	Hong Kong	HK$100	—	51	Marketing development, product distribution and customer support services
EDS (Asia) Limited	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
EDS (China) Limited	Hong Kong	HK$1	—	100	Investment holding
EDS Distribution Limited	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
EDS International Holdings Limited	British Virgin Islands	US$1	100	—	Investment holding
西安伊菲丹化妝品銷售有限公司@	The PRC	HK$500,000	—	100	Dormant
SkyNet Group Limited (formerly known as Donica Connectivity Group Limited)	Hong Kong	HK$1	100	—	Dormant
Donica Connectivity@	The PRC	RMB5,000,000	—	100	Provision of in-flight WLAN and WIFI engineering and services

@ Wholly-owned foreign enterprise

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

45. PARTICULARS OF SUBSIDIARIES *(continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

China Honest

	01.01.2015 to 31.12.2015 *HK$'000*	01.07.2014 to 31.12.2014 *HK$'000*
Current assets	**34,569**	40,784
Non-current assets	**5,365**	6,060
Current liabilities	**(38,249)**	(39,177)
Non-current liabilities	**—**	—
Equity attributable to owners of the Company	**860**	3,910
Non-controlling interests	**825**	3,757

45. PARTICULARS OF SUBSIDIARIES *(continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(continued)*

China Honest *(continued)*

	01.01.2015 to 31.12.2015	01.07.2014 to 31.12.2014
	HK$'000	*HK$'000*
Revenue	41,686	20,458
Profit for the year/period	4,917	3,870
Profit attributable to owners of the Company	2,508	1,974
Profit attributable to the non-controlling interests	2,409	1,896
Profit for the year/period	4,917	3,870
Other comprehensive income attributable to owners of the Company	—	—
Other comprehensive income to the non-controlling interests	—	—
Other comprehensive income during the year/period	—	—
Total comprehensive income attributable to owners of the Company	2,508	1,974
Total comprehensive income to the non-controlling interests	2,409	1,896
Total comprehensive income during the year/period	4,917	3,870
Dividend paid to non-controlling interests	5,341	—
Net cash inflow from operating activities	13,796	13,041
Net cash outflow from investing activities	(12,737)	(42)
Net cash outflow from financing activities	(435)	(127)
Net cash inflow	624	12,872

46. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2015, the Group acquired the Equipment with the amount of approximately HK$4,329,000 under obligations under finance leases.

47. EVENT AFTER REPORTING PERIOD

There is no significant event took place subsequent to end of the reporting period.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 21 March 2016.

FINANCIAL SUMMARY

	For the twelve months ended 31 December 2015	For the six months ended 31 December 2014	For the twelve months ended 30 June 2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	46,989	22,084	27,582	8,140	702
Profit/(loss) for the year/period attributable to:					
— owners of the Company	(42,086)	(48,939)	(11,768)	(23,568)	(100,389)
— non-controlling interests	2,409	1,896	1,150	—	—
	(39,677)	(47,043)	(10,618)	(23,568)	(100,389)

Assets and liabilities

	For the twelve months ended 31 December 2015	For the six months ended 31 December 2014	For the twelve months ended 30 June 2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	211,545	90,366	141,874	53,831	57,679
Total liabilities	(71,368)	(41,310)	(140,932)	(51,917)	(32,206)
Non-controlling interests	(825)	(3,757)	(1,861)	—	—
Equity attributable to owners of the Company	139,352	45,299	(919)	1,914	25,473