SuperRobotics Limited
超人智能有限公司

(formerly known as SkyNet Group Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8176

2017
Annual Report

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*This annual report, for which the directors (the "**Directors**" and each the "**Director**") of SuperRobotics 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 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.superrobotics.com.hk.

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Zhaoyang *(Chairman) (resigned as Chief Executive Officer on 15 December 2017)*
Mr. Zhang Chong *(Chief Executive Officer) (appointed as Chief Executive Officer on 15 December 2017)*
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*
Mr. Lee Chan Wah *(resigned on 31 October 2017)*
Dr. Andrew Goldenberg
Mr. Zhang Chongdi

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Yang Chuen Liang, Charles *(appointed on 31 October 2017)*
Mr. Lee Chan Wah *(resigned on 31 October 2017)*

COMPLIANCE OFFICER

Mr. Zhang Chong *(appointed on 25 May 2017)*
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Zhang Chong *(appointed on 25 May 2017)*
Mr. Zhang Chongdi *(appointed on 31 October 2017)*
Mr. Lee Chan Wah *(resigned on 31 October 2017)*
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*

REMUNERATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Zhang Chong *(appointed on 25 May 2017)*
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*
Mr. Tse Joseph

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. Zhang Chong *(appointed on 25 May 2017)*
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*
Mr. Tam B Ray, Billy

PRINCIPAL BANKERS

China CITIC Bank International Limited
Chong Hing Bank Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) 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

Room 4702
Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Michael Li & Co

As to Bermuda Law
Conyers Dill and Pearman

WEBSITE

www.superrobotics.com.hk

STOCK CODE

8176

CHAIRMAN'S STATEMENT

Dear Shareholders,

I present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

The down-cycle of the Hong Kong's tourism industry continued to take its toll on our sale of beauty products and provision of therapy services (collectively the "**Beauty Business**"). We took a series of responsive measures such as reshaping our sales model, streamlining the offerings and rearranging the working space. Although we do not expect significant growth in Beauty Business in short term, Chinese middle-class population continues to grow and personal-health awareness keeps on rising, we have confidence in the long-term prospects of beauty and therapy market.

For the engineering products, the Group offers in-flight WLAN and WIFI systems, and robotics products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for WLAN and WIFI systems as well as robotics and automation systems.

In December 2016, the Group has entered into a cooperation agreement with a local partner in the People's Republic of China (the "**PRC**") to form a joint venture to acquire the entire shareholding of Shenzhen Anzer Intelligent Engineering Co., Ltd. ("**Anzer**") for a cash consideration of RMB500,000. Anzer is a company established in Shenzhen, the PRC and possesses its own facilities qualified for manufacturing of robotic products. The acquisition of Anzer was completed in February 2017 and signifies the Group's preliminary success with deployment in the two main platforms, namely overseas research and development platform as well as domestic industry transformation and production platform. The Group, having obtained patents and setting industry standards by overseas research and development platform, has strengthened its competitive advantage in robotic technology and has expanded its business scope. Through its domestic industry platform, the Group's abilities to commercialise technology and its potential for market development have also been strengthened. Following the acquisition of Anzer, in addition to the development of our own technology and product advantages, the Group has taken an active role in exploring specialized technological cooperation with other organisations whereas a strategic cooperation framework agreement was entered into with the Chinese Academy of Medical Science Biomedical Engineering Research Institute in late February 2017. On 19 April 2017, the Group also entered into a strategic joint development framework agreement (the "**Framework Agreement**") with 蘇州景昱醫療器械有限公司 (Suzhou Jingyu Medical Device Co. Ltd). Pursuant to the Framework Agreement, the parties agreed to jointly research and develop surgery assisting robots for the implantation of deep brain stimulation system with nuclear magnetic resonance apparatus. On 28 July 2017, the Company held a global robotics conference in Shenzhen to launch more than ten new products for police use, commercial use and civilian use. Those products have received wide positive feedback from the participants of the conference.

On 8 December 2017, Anzer has entered into an agency cooperation agreement with 江蘇德僑裝備製造有限公司 (Jiangsu Deqiao Equipment Manufacturing Co., Ltd) to expand sales channels of our robotics products.

At last, 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 and Chairman

Hong Kong, 19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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 engineering products and related services (the "**Engineering 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 engineering products, the Group offers WLAN and WIFI systems, and robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for WLAN and WIFI systems as well as robotics and automation systems.

Despite facing increased competition in the Hong Kong market, the performance of the Beauty Business as a whole has met the expectation of the Board. The revenue derived from the sale of beauty products and the provision of therapy services rendered has reduced by 36.2% and 2.4% to HK$4.2 million and HK$42.4 million, respectively for the year ended 31 December 2017. However, the gross profit generated from the Beauty Business was increased by 3.0% to HK$16.3 million for the year under review.

For Engineering Business, during the financial year of 2017, the Group has completed the acquisition of Anzer and has been expanding its production capacity for its robotics products. Following the acquisition of Anzer, in addition to the development of their own technology and product advantages, the Group has taken an active role in strengthening specialized technology cooperation with other platforms whereas a strategic cooperation framework agreement was entered into with the Chinese Academy of Medical Science Biomedical Engineering Research Institute in late February 2017. During the financial period, the Group has stepped up its marketing efforts to promote robotic products. On 28 July 2017, the Company held a global robotics conference in Shenzhen to launch more than ten new products for police use, commercial use and civilian use. Those products have received wide positive feedback from the participants of the conference. The Group is in the midst of construction of production plant at Shenzhen, the PRC. Upon the completion of the plant, the Group will be able to commence mass production of its various robotics products. For the year under review the revenue of the Engineering Business has increased by 180.3% and contributed a total revenue of HK$32.2 million, which entirely attributes to sale of robotic products, to the total turnover of the Group. Also, the Engineering Business has generated a gross profit of HK$14.1 million, a significant improvement compared with a gross loss of HK$39.5 million for the financial year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$78.8 million (for the financial year ended 31 December 2016: approximately HK$61.5 million), of which approximately HK$4.2 million (for the financial year ended 31 December 2016: approximately HK$6.6 million), HK$42.4 million (for the financial year ended 31 December 2016: approximately HK$43.4 million) and HK$32.2 million (for the financial year ended 31 December 2016: HK$11.5 million) were generated from the sale of beauty products, provision of therapy services and the Engineering Business respectively.

The Beauty Business in aggregate contributed approximately HK$46.6 million to the turnover of the Group, representing approximately 59.2% of the turnover, of which approximately HK$4.2 million and HK$42.4 million were generated from the sale of beauty products and provision of therapy services respectively. The Engineering Business contributed approximately HK$32.2 million to the turnover of the Group, representing approximately 40.8% of the turnover.

For the year ended 31 December 2017, the gross profit was approximately HK$30.4 million and the gross profit margin was approximately 38.5% (for the financial year ended 31 December 2016: negative gross margin of 73.9%). The Beauty Business in aggregate contributed approximately HK$16.3 million gross profit to the Group, while the Engineering Business recorded a gross profit of approximately HK$14.1 million. The improvement in gross profit margin was mainly due to decrease in the cost of sales and increase in revenue of the Engineering Business and decrease in impairment loss recognised on certain equipment. As announced by the Company on 30 December 2016, the Company has received a notice of termination of the cooperation agreement dated 24 October 2016 entered into between Shenzhen Donica Networking Technology Co. Ltd., an indirect wholly-owned subsidiary of the Company and an airline company in the PRC (the "**2016 Cooperation Agreement**"). The Directors have assessed the recoverability of certain equipment purchased for the 2016 Cooperation Agreement and determined that the recoverable amount was less than the carrying value of these equipment and, therefore, an impairment loss was recognised in cost of sales for the financial year ended 31 December 2016. There is no such impairment being recognised in the financial year ended 31 December 2017.

During the year under review, other income was approximately HK$0.8 million (for the financial year ended 31 December 2016: approximately HK$0.3 million). The increase in other income was mainly attributable to an increase in interest income on bank deposits of HK$0.2 million and sundry income of HK$0.3 million.

Net other gains or losses is approximately a gain of approximately HK$0.8 million, which was mainly attributable to the gain on disposal of fixed assets of approximately HK$1.1 million, which was offset by change in fair value of investment in listed securities amounted to approximately HK$0.3 million.

The selling and distribution costs for the year ended 31 December 2017 was approximately HK$8.6 million (for the financial year ended 31 December 2016: approximately HK$12.2 million). The selling and distribution costs of the Beauty Business and the Engineering Business accounted for approximately 50.0% or HK$4.3 million and approximately 48.8% or HK$4.2 million of the total selling and distribution costs, respectively. The decrease in selling and distribution costs was mainly due to a decrease in marketing cost incurred by Engineering Business amounting to HK$3.5 million.

The administrative expenses for the year ended 31 December 2017 was approximately HK$122.7 million (for the financial year ended 31 December 2016: approximately HK$35.3 million). The administrative expenses of the Beauty Business accounted for approximately HK$8.0 million or 6.5% of the total administrative expenses. Such expenses mainly comprised staff costs of approximately HK$4.5 million, depreciation expenses of approximately HK$1.4 million, rental expenses of approximately HK$0.7 million and other administrative expenses of HK$1.4 million. The administrative expenses of the Engineering Business accounted for approximately HK$91.6 million or 74.7% of the total administrative expenses. Such expenses mainly comprised staff costs of approximately HK$28.4 million, overseas travelling expenses of approximately HK$5.0 million, research expense of approximately HK$8.4 million, repair and maintenance expenses of approximately HK$8.8 million, rental expenses of approximately HK$5.9 million, share-based compensation of approximately HK$13.7 million and other administrative expenses of approximately HK$21.4 million. In addition, the Group also incurred administrative expenses relating to general corporate activities amounting to approximately HK$23.1 million or 18.8% of the total administrative expenses. The general corporate administrative expenses mainly consists of legal and professional expenses amounted to approximately HK$3.1 million for the purposes of, among others, share subscription and acquisition of a subsidiary and audit of the financial statements of the Company, directors' remuneration amounted to approximately HK$8.3 million, rental expenses of approximately HK$2.6 million, staff cost of approximately HK$4.5 million and other listing and administrative expenses of approximately HK$4.6 million.

The finance costs for the year ended 31 December 2017 of approximately HK$6,000 (for the financial year ended 31 December 2016: approximately HK$0.2 million) was mainly attributable to bank charges.

The consolidated loss amounted to approximately HK$97.1 million for the year ended 31 December 2017 (for the financial year ended 31 December 2016: approximately HK$43.7 million), of which a profit of approximately HK$4.0 million (for the financial year ended 31 December 2016: a loss of approximately HK$0.9 million), a loss of HK$79.6 million (for the financial year ended 31 December 2016: HK$82.0 million) and a loss of HK$21.5 million (for the financial year ended 31 December 2016: a profit of HK$39.2 million) were incurred and generated by the Beauty Business, the Engineering Business and general corporate activities, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the total borrowings of the Group was approximately HK$1.6 million (as at 31 December 2016: approximately HK$2.0 million). The total borrowings and other financial liabilities are repayable within one year.

As at 31 December 2017, the Group had total assets of approximately HK$383.3 million (31 December 2016: approximately HK$318.6 million), including cash and cash equivalents of approximately HK$80.4 million (31 December 2016: approximately HK$152.2 million).

During the year under review, the Group financed its operation with internally generated cash flows, the balance of proceeds derived from the allotment and issue of the subscription shares pursuant to the subscription agreement dated 17 February 2015 (the "**2015 Subscription**"), net proceeds derived from the placing of 35,416,666 new shares under general mandate which was completed on 14 December 2016 and net proceeds from the subscription of 21,000,000 new shares, which was completed on 4 August 2017.

CAPITAL STRUCTURE

(a) Placing of new shares under general mandate

On 16 June 2017, the Company and HKBridge Absolute Return Fund, L.P., (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 21,000,000 new shares of the Company (the "**Subscription Share(s)**"), at HK$6.25 (the "**Subscription Price**") per Subscription Share on the date of completion (the "**Subscription**"). The gross proceeds from the Subscription were amounted to approximately HK$131.25 million and the net proceeds from the Subscription were amounted to approximately HK$130.00 million. Details of the Subscription were set out in the Company's announcement dated 18 June 2017. The Subscription was completed on 4 August 2017.

As at 31 December 2017, the Company's total number of issued ordinary shares and issued convertible preferred shares were 476,219,666 (as at 31 December 2016: 455,219,666) and 30,000,000 (as at 31 December 2016: 30,000,000), respectively.

(b) Borrowings and obligations under finance lease

As at 31 December 2017, the total borrowings of the Group was approximately HK$1.6 million (as at 31 December 2016: approximately HK$2.0 million), representing a borrowing from Koffman Investment Limited, which is unsecured, non-interest bearing and repayable within one year.

USE OF NET PROCEEDS FROM ISSUANCE OF ORDINARY SHARES

Net proceeds from the allotment and issue of 345,000,000 new shares and 30,000,000 convertible preferred shares of the Company, which was completed on 6 November 2015, were approximately HK$135.0 million and, as at 31 December 2017, the Company had utilised approximately HK$31.7 million for acquiring in-flight WIFI and connection equipment and approximately HK$92.6 million for the development of the Engineering Business. The Company intends to apply the remaining balance of approximately HK$10.7 million as general working capital.

Net proceeds from the placing of 35,416,666 new shares, which was completed on 14 December 2016 were approximately HK$166.2 million and, as at 31 December 2017, the Company had utilised approximately HK$46.3 million to settle the shareholder's loan due by Engineering Services Inc. ("**ESI**"). Other than the settlement of the shareholder's loan due by ESI, the Company also utilised HK$75.3 million and HK$21.0 million for the general working capital of the Beauty Business and the Engineering Business and the purchase of components and material for the Engineering Business respectively. The Company intends to apply the remaining balance of approximately HK$23.6 million as general working capital.

Net proceeds from the Subscription which was completed on 4 August 2017 were HK$130.0 million and, as at 31 December 2017, the Company had utilised approximately HK$16.8 million and HK$40.1 million for construction and renovation of production plants and general working capital respectively. The Company intends to apply the remaining balance of approximately HK$73.1 million for construction of production plants and general working capital.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to equity attributable to owners of the Company, was approximately 0.5% (31 December 2016: approximately 0.8%). The improvement of gearing ratio was mainly attributable 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 during the year under review.

PLEDGE OF ASSETS

As at 31 December 2017, the Group's restricted bank deposits of approximately HK$18.7 million (as at 31 December 2016: approximately HK$12.3 million) were deposits held at banks in respect of credit card and instalment sales arrangement for the sale of beauty products and provision of therapy services business.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 31 December 2017, the Group had operating lease commitments and capital commitments of approximately HK$9.1 million (as at 31 December 2016: approximately HK$15.2 million) and HK$Nil (as at 31 December 2016: HK$Nil), respectively.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2017, the Group had 201 employees (as at 31 December 2016: 155 employees). Total staff costs including directors' emolument for the year ended 31 December 2017 amounted to approximately HK$73.6 million (for the financial year ended 31 December 2016: approximately HK$41.0 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, the employees in the PRC joined the national statutory social security insurance scheme and the employees in Canada joined the government-mandated retirement plan.

SIGNIFICANT INVESTMENT

The Group did not make any significant investment during the year ended 31 December 2017.

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 2017.

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

China's robotics research and development started in the 1970s whereas the robotics market reached RMB14 billion in 2016 with a 56% year-on-year growth in annual sales. Lately, as announced by President Xi Jinping during his important speech at the 19th Communist Party of China National Congress, initiatives including aiming at technological fronts, ramping up disruptive technological innovations, and providing a reinforced underpinning for evolving into a nation with superb scientific and technological power, a digitalized China, and a smart society are to be taken. To facilitate the transition of technological results, the upcoming few years represent a pivotal moment for the tremendous development of robotics in the PRC, particularly the market of robotics which specialises in special services. The rapid popularization of the Internet, the emerging and flourishing artificial intelligence, and the speedy development of information technologies all present new opportunities for the high-speed development of robotics in the PRC. The robotics market would grow by leaps and bounds in a straight-line trajectory, and the whole robotics market is expected to reach approximately RMB20 billion in 2017. Looking ahead, the Group believes there will be enormous potential for market development for the robotics market in the PRC. On the back of artificial intelligence techniques, the next five years would witness the development of a smart city in full swing. The application of intelligent robotics for public services and the modes of services would grow relentlessly. As forecasted by the Report on the Development of the Robotics Industry in China, the global market of robotics would reach USD6.9 billion in the next five years.

MANAGEMENT DISCUSSION AND ANALYSIS

In the future, the Group will continue to focus on three robotic production lines: police use, commercial use and civilian use, in accordance with market conditions and the status of product development. The Group will also incorporate its experience in diversified robotic technology so as to commit itself to producing customised robots and providing total mechatronic solutions for customers across various industries. Meanwhile, in view of the unstable supplies from suppliers during the third quarter, the Group will improve its communication with our suppliers, expand procurement channels and actively examine replacement components in the future to reduce uncertainties in supply chain.

In October 2017, the fifth amendment to the "Operation Certification Rules for Civil Aviation Transportation Carriers with Large Airplanes" promulgated by the Civil Aviation Administration of China officially came into effect, which relaxed the rules on using portable electronic devices on flights and delegated the authority on access to WIFI services to each civil airline. The Board is of the view that such delegation implies that each civil airline is to bear corresponding safety responsibilities on their own. It is estimated that the speed of launching such service may vary among civil airlines and some small and medium-sized civil airlines may not offer WIFI services at present. Therefore, the Board is prudent and concerned about the prospect of in-flight WIFI services. The Directors did not expect any significant change in the Group's Beauty Business.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Cai Zhaoyang ("**Mr. Cai**"), aged 41, was 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. On 15 December 2017, Mr. Cai has resigned as the Chief Executive Officer of the Company. 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, 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. Zhang Chong, aged 48, was appointed as an executive director of the Company on 22 December 2016 and the Chief Executive Officer on 15 December 2017, respectively. Mr. Zhang Chong has over 20 years of experience in investment and business administration in the People's Republic of China (the "**PRC**"). Mr. Zhang Chong was the vice general manager of Shenzhen Hengye Investment Group Co., Ltd. from 2003 to August 2016. He is currently a director of Engineering Services Inc., a research and development company incorporated in Canada in 1982. Engineering Services Inc. was acquired by the Company on 25 November 2016 and became an indirect wholly-owned subsidiary of the Company since then. Mr. Zhang Chong holds an executive master of business administration degree from Nankai University.

Dr. Andrew Goldenberg ("**Dr. Goldenberg**"), aged 73, was appointed as an executive director of the Company on 22 December 2016. Dr. Goldenberg has over 40 years of extensive experience and expertise in the engineering of high-tech robotics. Dr. Goldenberg has been a professor in mechanical and industrial engineering specializing in robotics and automation at the University of Toronto since 1982. Dr. Goldenberg is also the founder of Engineering Services Inc. and has been a director of Engineering Services Inc. since its incorporation. Dr. Goldenberg has also been the chief technical officer (the "**CTO**") of Engineering Services Inc. since 2015. With effect from the completion of the acquisition of Engineering Services Inc. by the Company on 25 November 2016, Dr. Goldenberg has become the CTO of the Group. Dr. Goldenberg has been and currently is a professor in the robotics and automation engineering field at various universities and/or institutions. Dr. Goldenberg holds a number of professional qualifications including Life Fellow of the Institute of Electrical and Electronic Engineers, Fellow of the American Society of Mechanical Engineerings, Fellow of the Engineering Institute of Canada, Fellow of the Canadian Academy of Engineering, Fellow of the American Association for the Advancement of Science, Member of the Professional Engineers of Ontario and Designated Consulting Engineer in Ontario.

Mr. Zhang Chongdi, aged 66, was appointed as an executive director of the Company on 22 December 2016. Mr. Zhang Chongdi has over 30 years of experience in industrial production and business administration in the PRC. Mr. Zhang Chongdi holds an undergraduate degree in professional engineering management from the People's Liberation Army Engineering College of the People's Republic of China*（中國人民解放軍工程學院）. Mr. Zhang Chongdi was the general manager of Shenzhen Huahai Mechanical Engineering Co.,Ltd. from 1989 to 1991. From 1992 to 2002, Mr. Zhang Chongdi was the chairman and the general manager of Guangdong Welmetal Steel Co., Ltd.. He then worked as the chairman and the general manager of Guangdong Welmetal Group from 2002 to 2013. Mr. Zhang Chongdi has been the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 1992 and was a deputy to the Fourth Shenzhen Municipal People's Congress of the PRC from 2005 to 2010.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam B Ray, Billy ("**Mr. Tam**"), aged 49, 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, from 4 December 2007 to 21 December 2016. He has also been an independent non-executive director of Silk Road Energy Services Group Limited (stock code: 8250), a company listed on GEM, from 10 November 2011 to 18 June 2014. 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 16 December 2010 to 19 September 2014 and Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange, since 28 April 2011.

Mr. Chu Kin Wang, Peleus ("**Mr. Chu**"), aged 53, 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 1 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 25 June 2015 to 11 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 from 19 August 2015 to 1 March 2017. He has also been an independent non-executive director of each of Tianli Holdings Group, Limited (stock code: 117), Huayu Expressway Group Limited (stock code: 1823), Flyke International Holdings Ltd. (stock code: 1998), China First Capital Group Limited (stock code: 1269), Mingfa Group (International) Company Limited (stock code: 846) and ITC Corporation Limited (stock code: 372), all of which are listed on the Main Board of the Stock Exchange, since 16 April 2007, 21 May 2009, 24 February 2010, 19 October 2011, 1 November 2016 and 8 March 2017, respectively. He also served as an independent non-executive director of Telecom Service One Holdings Limited (stock code: 8145), a company listed on the GEM of Stock Exchange from 30 April 2013 to 27 December 2017 and has been appointed as an independent non-executive director of Madison Wine Holdings Limited (stock code: 8057), a company listed on the GEM, since 21 September 2015 respectively. He was appointed as independent non-executive director of Tianli Holdings Group Limited (stock code: 117) with effect from 30 March 2017 and as independent non-executive director of China Hui Shan Dairy Holdings Company Limited (stock code: 6863) for the period from 22 June 2017 to 27 September 2017.

Mr. Tse Joseph ("**Mr. Tse**"), aged 42, 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.

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 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. The principal activities of the Group consist of the sale of beauty products and provision of therapy services and the provision of engineering products and related service business. 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 9 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 businesses. Details on Group's environmental policies are set out in the section headed "Environmental. Social and Governance Report" from page 35 to page 39 of this annual report.

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

The Company and its subsidiaries operating in Hong Kong, the PRC and Canada 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, the Group is also subject to the provisions of the GEM Listing Rules. 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). For the subsidiary operating in Canada, applicable laws and regulations include, among others, the Canada Business Corporation Act, Patent Act, Industrial Design Act, and Canada Labour Code. 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.

DIRECTORS' REPORT

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.

RISK MANAGEMENT

The risk management process is integrated into our day-to-day activities and is an ongoing process that flows through the Group.

When performing risk identification, the Group takes into account internal and external factors including economic, political, social, technological, environmental and new or updated Group strategy and new regulations, as well as our stakeholders' expectation in these aspects. Each risk identified is analysed on the basis of likelihood and impact consistent with risk parameters set by the Board. Action plans are in place to manage risks. Fundamental to the achievement of our business goal is how the Group can effectively manage existing and emerging risks in economic, social and political environment. A description of the Group's risk factors is shown as below.

Risk factors

Risks and uncertainties can affect the Group's business, financial condition, operation results or growth prospects leading to a divergence from expected or historical result. Key risk factors affecting the Group are outlined below. In dealing with these, the Group remains in touch with stakeholders with the aim of understanding and addressing their concerns.

These factors are no exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Macroeconomic Conditions of the World and the PRC

Global economic growth has been weaker than expected with sluggish demand conditions in the major economies. Uncertainty in world economic recovery continued due to economic pressures and geopolitical tensions in various areas of the world, slow growth in emerging markets including mainland China.

The Group's target customers of the Engineering Business comprise companies and government agencies operating in the PRC. Any unexpected economic, political and social events or changes in the PRC may have a significant impact on the Engineering Business.

The Group has taken a proactive approach to monitoring changes in macroeconomics factors of Global and China. To address macroeconomics volatility, the Group's strategy is to pursue diversification of product lines and expansion in different geographic areas.

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

The engineering industry is 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 Engineering Business losing its customers, which would have a material adverse effect on the financial position of the Group.

The management has been monitoring the latest development in technologies relating to engineering industry. Research and development will be done internally through the Group's own talents or outsourced to qualified third party. When see fit, the Group may also acquire companies with technologies that meet the requirement of business strategy of the Group.

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 Engineering Business is subject to compliance with various rules and regulations in the PRC. In order to expand into the production of in-flight WIFI equipment and robotics products in the PRC, the Group must obtain certain required qualifications. The Group may not be able to obtain or renew such qualifications and may therefore be unable to expand into the production of the in-flight WIFI equipment and robotics products.

The Group has taken a proactive approach to monitoring any change in applicable laws and regulation. The compliance is done through a variety of means including engaging external advisors, performing regulator audits and complying regulatory reporting obligations.

Product liability

The products provided by the Group 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 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.

To prevent product liability claims, the Group only deals with qualified and reputable raw material suppliers. The management also conducts regular product safety review should confirm that products comply with the latest industry and government safety standards.

Competition

The Group operates in markets and industries where the regulation is drive to open competition has led to increased competition, pricing pressure, loss of market share, and increased promotional, marketing and customer acquisition expenditures.

The Group has been consistently monitoring its competitors, markets and industries and adjusting this business strategy to adopt the changing market place.

DIRECTORS' REPORT

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; and (vii) subsequent argument on the terms of contracts.

Customer complaints are handled in a timely manner by trained customer service team of the Group. In case of legal proceedings being file against the Group, the Group will engage or consult qualified professionals to minimize the impact.

RESULTS AND PROFIT DISTRIBUTION

Details of the Group's results for the financial year ended 31 December 2017 are set out in the consolidated statement of 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 2017 (for the financial year ended 31 December 2016: 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, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017 are set out on page 109 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 15 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 22 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity on page 49 and note 29 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 2017 (as at 31 December 2016: Nil).

CHARITABLE DONATIONS

The Group has made charitable donations of approximately HK$6,400 during the financial year ended 31 December 2017 (for the financial year ended 31 December 2016: 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
Mr. Chan Kin Wah, Billy *(resigned on 25 May 2017)*
Mr. Lee Chan Wah *(resigned on 31 October 2017)*
Dr. Andrew Goldenberg
Mr. Zhang Chongdi
Mr. Zhang Chong

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. Cai Zhaoyang, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph shall retire from office by rotation at the forthcoming annual general meeting (the "**2018 AGM**"), which is scheduled to be held on 25 May 2018, and, being eligible, offer themselves for re-election at the 2018 AGM.

THE BIOGRAPHY OF THE DIRECTORS

The biographical details of the Directors of the Company are set out in the section headed "Directors' Profile" on pages 10 to 11 of this annual report.

DIRECTORS' LETTERS OF APPOINTMENT

None of the Directors being proposed for re-election at the 2018 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.

The Company has arranged for appropriate insurance cover for Director's liabilities in respect of legal action against its Directors arising out of corporate activities. During current financial year and up to date of this report, no permitted provision was or in being in force for the benefit at any of the Directors.

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 2017, 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 of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 4)*
Mr. Cai Zhaoyang	Interest of controlled corporation	*Notes 2 and 3*	179,925,549(L) 179,921,200(S)		179,925,549(L) 179,921,200(S)	37.78%(L) 37.78%(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. Mr. Cai Zhaoyang owns 65% equity interest in Xing Hang Limited ("**Xing Hang**"), which in turn directly holds long positions in 179,925,549 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 179,925,549 shares and short positions in 179,921,200 shares of the Company.

3. 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.

4. The percentage is calculated on the basis of 476,219,666 shares of the Company in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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 in 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 year under review.

CONTRACTS OF SIGNIFICANCE

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 Share Option Scheme (as defined below) as an incentive to Directors and eligible participants. Please refer to the paragraph headed "Share Option Scheme" on page 20 of this annual report for details.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 and note 10 to the consolidated financial statements, respectively, in this annual report.

COMPETING INTERESTS OF DIRECTORS

As at 31 December 2017, none of the Directors, substantial shareholders of the Company nor any of their respective close 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 2017, 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 ordinary shares or underlying ordinary 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 8)*
Xing Hang	Beneficial owner	*2*	179,925,549(L)	—	179,925,549(L)	37.78%(L)
			179,921,200(S)	—	179,921,200(S)	37.78%(S)
Success Far	Security interest	*2*	179,921,200(L)	—	179,921,200(L)	37.78%(L)
Hong Kong Bridge Investments Limited ("**Hong Kong Bridge Investments**")	Beneficial owner	*3*	41,666,666(L)	—	41,666,666(L)	8.75%(L)
HKBridge Absolute Return Fund, L.P. ("**HKBridge Absolute**")	Beneficial owner	*4*	64,148,063(L)	—	64,148,063(L)	13.47%(L)
On Top Global Limited ("**On Top Global**")	Beneficial owner	*5*	36,697,946(L)	—	36,697,946(L)	7.71%(L)
Hong Kong Bridge High-Tech Investment Fund LP ("**Hong Kong Bridge High-Tech**")	Interest of controlled corporation	*5*	36,697,946(L)	—	36,697,946(L)	7.71%(L)
China HKBridge Holdings Limited ("**China HKBridge**")	Interest of controlled corporation	*3,4,5*	142,512,675(L)	—	142,512,675(L)	29.93%(L)
中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.) ("**China Huarong**")	Interest of controlled corporation	*6*	116,684,729(L)	—	116,684,729(L)	24.50%(L)
Tai Dong New Energy Holding Limited ("**Tai Dong**")	Beneficial owner	*7*	38,473,590 (L)	30,000,000 (L)	68,473,590 (L)	14.38%(L)
Su Zhituan	Interest of controlled corporation	*7*	38,473,590 (L)	30,000,000 (L)	68,473,590(L)	14.38%(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. Xing Hang is ultimately owned as to 65% by Mr. Cai Zhaoyang. Pursuant to the Term Loan Agreement, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as chargor) 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.

3. Hong Kong Bridge Investments is interested in 41,666,666 shares of the Company. As Hong Kong Bridge Investments is a wholly-owned subsidiary of China HKBridge, China HKBridge is deemed to be interested in such 41,666,666 shares of the Company.

4. HKBridge Absolute, a Cayman Islands exempted limited partnership, the general partner of which is HKBridge (Cayman) GP2 Limited, a Cayman Islands limited liability company, is interested in 64,148,063 shares of the Company. As the entire issued share capital of the general partner of the HKBridge Absolute is indirectly owned by China HKBridge, China HKBridge is deemed to be interested in such 64,148,063 shares of the Company.

5. On Top Global is interested in 36,697,946 shares of the Company. As On Top Global is an wholly-owned subsidiary of Hong Kong Bridge High-Tech, Hong Kong Bridge High-Tech is deemed to be interested in such 36,697,946 shares. Hong Kong Bridge High-Tech, a Cayman Islands exempted limited partnership, the general partner of which is Hong Kong Bridge High-Tech Investment G.P. Limited, a Cayman Islands limited liability company. As the entire issued share capital of the general partner of the Hong Kong Bridge High-Tech is indirectly owned by China HKBridge, China HKBridge is deemed to be interested in such 36,697,946 shares of the Company.

6. China Huarong indirectly owned 50.99% equity interest in Bloom Right Limited ("**Bloom Right**") and Ample Key Investments Limited ("**Ample Key**"). Bloom Right was directly interested in 10,870,000 shares of the Company, while Ample Key had a security interest over 64,148,063 shares of the Company. China Huarong also indirectly owned 51% equity interest in Allied Year Limited, which had a security interest over 41,666,666 shares of the Company. China Huarong is therefore deemed to be interested in 116,684,729 shares of the Company.

7. Tai Dong is interested in 38,473,590 shares and 30,000,000 preferred shares of the Company. As Tai Dong is ultimately wholly-owned by Mr. Su Zhituan, Mr. Su Zhituan is deemed to be interested in such 38,473,590 shares and 30,000,000 preferred shares of the Company.

8. The percentage is calculated on the basis of 476,219,666 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") at the annual general meeting of the Company held on 7 November 2014 (the "**2014 AGM**"). The scheme mandate limit (the "**Scheme Mandate Limit**") of the share Option Scheme was refreshed at the annual general meeting of the Company held on 8 May 2017 (the "**2017 AGM**").

1. Purpose of the Share Option Scheme

The purpose of the 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 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 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 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 2017 AGM, the maximum number of shares of the Company in respect of which options may be granted under the refreshed Scheme Mandate Limit is 45,521,966 shares of the Company which is equivalent to 10% and 9.56% of the issued shares of the Company as at the 2017 AGM and 31 December 2017 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 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 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 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 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 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 Share Option Scheme.

The terms of the Share Option Scheme provide that in granting options under the 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 Share Option Scheme**

The 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 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 Share Option Scheme.

Details of movements in the Company's share options during the twelve months ended 31 December 2017 are set out as follows:

	Number of share options				
	Outstanding at 1 January 2017	Granted during the period *(Note)*	Exercised during the period	Cancelled during the period	Outstanding at 31 December 2017
Employees	—	7,480,000	—	(97,000)	7,383,000
Total	—	7,480,000	—	(97,000)	7,383,000
Exercisable at the end of the period					—

Note:

A total of 7,480,000 share options were granted on 3 January 2017, with an exercise price of HK$8.9 and exercise period from 3 January 2018 to 2 January 2022, of which (i) 25% of the share options are exercisable form 3 January 2018 to 2 January 2022; (ii) 25% of the share options are exercisable form 3 January 2019 to 2 January 2022; (iii) 25% of the share options are exercisable form 3 January 2020 to 2 January 2022; and (iv) 25% of the share options are exercisable form 3 January 2021 to 2 January 2022.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's largest customer accounted for approximately 14.1% of the Group's total sales for the year and the five largest customers taken together accounted for approximately 41.0% of the Group's total sales. The Group does not have any significant transaction with any single customer for the financial year ended 31 December 2017.

During the year under review, the aggregate purchases attributable to the Group's largest suppliers accounted for approximately 4.2% (for financial year ended 31 December 2016: 14%) of the Group's total purchase for the year and the five largest suppliers taken together accounted for approximately 13.1% (for the financial year ended 31 December 2016: 74%) of the Group's total purchase.

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 2017.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

There is no significant related party transactions entered by the Group during the year ended 31 December 2017.

Details of related party transactions entered into by the Group during the year ended 31 December 2016 and 31 December 2017 are disclosed in note 34 in the consolidated financial statements.

During the year ended 31 December 2017, the Group did not enter into any connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under the GEM Listing Rules.

Payments of emoluments to the Directors pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 20.93 of the GEM Listing Rules while payments of emoluments/consultancy fee to senior management do not constitute connected transactions under Chapter 20 of the GEM Listing Rules.

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 2018 AGM is scheduled to be held on 25 May 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 18 May 2018 to 25 May 2018, 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 2018 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 4:30 p.m. on 17 May 2018.

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 2017.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event after the reporting period.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 34 of this annual report.

CHANGE OF COMPANY SECRETARY

On 31 October 2017, Mr. Lee Chan Wah resigned and Mr. Yang Chuen Liang, Charles was appointed as the company secretary of the Company.

DIRECTORS' REPORT

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the reporting period. A resolution will be proposed for approval by shareholders at the 2018 AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Cai Zhaoyang
Executive Director and Chairman

Hong Kong, 19 March 2018

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 2017.

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.

CORPORATE GOVERNANCE REPORT

Composition

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

Executive Directors

Mr. Cai Zhaoyang
Dr. Andrew Goldenberg
Mr. Zhang Chongdi
Mr. Zhang Chong

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' Profile" on pages 10 to 11 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. With a view to achieving a sustainable and balanced development, the Company has been seeing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Though without a formally written policy, the Company will consider board diversity from a number of factors when deciding on new appointments to the Board and the continuation of those appointments in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of Executive and Non-Executive Directors is considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

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 30 of this annual 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 2017 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	15/15	—	—	—	—	1/1
Mr. Chan Kin Wah, Billy	4/4	—	—	—	—	1/1
Mr. Lee Chan Wah	10/10	—	—	—	—	1/1
Dr. Andrew Goldenberg	14/15	—	—	—	—	—
Mr. Zhang Chongdi	15/15	—	—	—	—	1/1
Mr. Zhang Chong	15/15	—	1/1	2/2	—	1/1
Independent non-executive Directors						
Mr. Tam B Ray, Billy	14/15	4/4	—	2/2	—	1/1
Mr. Chu Kin Wang, Peleus	14/15	4/4	1/1	2/2	—	1/1
Mr. Tse Joseph	14/15	4/4	1/1	—	—	1/1

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.

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:

	Type of Continuous Professional Development	
Name of Directors	**Reading on corporate governance, regulatory updates development and other relevant topics**	**Attending relevant training sessions**
Executive Directors		
Mr. Cai Zhaoyang	✓	✗
Mr. Chan Kin Wah, Billy	✓	✓
Mr. Lee Chan Wah	✓	✓
Dr. Andrew Goldenberg	✓	✗
Mr. Zhang Chongdi	✓	✗
Mr. Zhang Chong	✓	✗
Independent non-executive Directors		
Mr. Tam B Ray, Billy	✓	✓
Mr. Chu Kin Wang, Peleus	✓	✓
Mr. Tse Joseph	✓	✓

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.

Up to 15 December 2017, 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.

On 15 December 2017, Mr. Cai Zhaoyang has resigned as Chief Executive Officer and Mr. Zhang Chong, an executive Director, has been appointed as Chief Executive Officer without a fixed term of service. Immediately following and subsequent to this change in management of the Company, the roles of the Chairman and the Chief Executive Officer are separated in accordance with code provision A.2.1 in 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. Currently there is no service contract entered into between the Company and all the independent non-executive Directors. Their appointment will be subject to retirement by rotation and re-election in accordance with the Bye-laws and the CG Code.

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 2017 and up to 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, Mr. Zhang Chong.

The Remuneration Committee held one meeting during the year ended 31 December 2017.

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 2017 and up to 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, Mr. Zhang Chong.

The Nomination Committee held two meeting during the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

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 2017 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 2017, 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 consolidated financial statements for the financial year ended 31 December 2017 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.

In view of that the objective of the Special Investigation Committee have been fulfilled, the board of directors of the Company announced that the Special Investigation Committee has officially been dissolved on 19 October 2017.

The Special Investigation Committee did not hold any meeting during the year ended 31 December 2017.

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 2017, the annual general meeting of the Company was held on 8 May 2017 (the "**2017 AGM**") and all the then Directors had attended the 2017 AGM.

AUDITORS' REMUNERATION

During the year under review, the remuneration in respect of audit services and non-audit services provided by the Company's external auditor, PricewaterhouseCoopers, is set out below:

Services rendered	**Fee paid/payable** *HK$'000*
Audit services	1,560
Non-audit services	610

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. 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 2017 is sound and are effective to safeguard the interests of the shareholders' investment and the Company's assets.

As required under code provision C.2.5 of the CG code, the Company has established an internal audit function. A senior executive has been appointed in charge of the internal audit function and reports directly to the Audit Committee. The senior executive is provided with unrestricted access to all information of on Group's assets, records and personnel in the course of internal audit. The senior executive has attended the Audit Committee meetings and reported findings to members of the Audit Committee. All Directors are informed of the findings of internal audit assignments carried out during the year.

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 31 October 2017, Mr. Lee Chan Wah resigned as the Company Secretary and following his resignation, Mr. Yang Chuen Liang, Charles ("**Mr. Yang**") has been appointed by the Board as the Company Secretary on the same day. According to Rule 5.15 of the GEM Listing Rules, Mr. Yang has confirmed that he has taken no less than 15 hours of relevant professional training to update his skills and knowledge during the period under review. He 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 2017 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 head office in Hong Kong at Room 4702, Far East Finance Centre, 16 Harcourt Road, Admiralty, 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 is http://www.superrobotics.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

We are delighted to present the Environmental, Social and Governance ("ESG") Report of SuperRobotics Limited (the "Company") together with its subsidiaries (collectively the "Group"). The Group's main operations include sales of beauty products and the provision of therapy services (the "Beauty Business"), as well as the provision of engineering products and related services (the "Engineering Business").

The report summarises the ESG performance of the Group from the period between 1 January 2017 and 31 December 2017. The report is compiled in accordance with the ESG Guide under Appendix 20 to the GEM Listing Rules issued by the Stock Exchange of Hong Kong Limited.

We believe that sustainable business growth is of high priority to both the Group and its stakeholders. We are committed to providing quality and socially responsible products and services to the community, whilst minimising the environmental and social impacts from our operations.

We engage our stakeholders on an ongoing basis and seek to collect their views and expectations on our ESG performance and disclosures. In response to the interests and concerns of our stakeholders, the report summarises our key ESG activities performed during the year. The following sections of the report cover environmental protection, employment and labour practices, operating practices and community investment.

Environmental Protection

The Group endeavours to create sustained business growth that is not achieved at the expense of our environment. We achieve this mainly through proper waste management, energy efficiency enhancement and greenhouse gas (GHG) emissions reduction.

The Group puts great emphasis on energy conservation and GHG emission reduction at our premises. For example, at our beauty centres, we encourage the use of equipment with higher energy efficiency. Hydro-fluorocarbon refrigerants with lower global warming potential are used in our air conditioning systems as far as possible to cut GHG emissions. The air conditioning systems are regularly maintained to achieve higher energy efficiency and reduce associated GHG emissions.

Waste management procedures have been implemented to properly segregate, store and dispose waste generated from our operations in line with regulatory requirements. Waste reduction, reuse and recycling of materials where possible is strongly encouraged. We strictly adhere to the relevant national and local laws and regulations when it comes to waste disposal. The operation of our medical skincare centre generates medical waste such as syringes and needles, the disposal of which is regulated in Hong Kong.

To reduce water consumption, we have engaged our employees and customers in avoiding the wastage of water through posted reminders at our beauty centres, factory premises and offices. The consumption of water and other resources such as paper is monitored regularly to drive efficiency.

The Group is mindful about the impacts from its activities to the environment and natural resources; it works hard to avoid or mitigate such impacts. Our robotics business, for instance, has implemented an environmental management system in line with the internationally recognised standard ISO14001; our environmental policy emphasises both impact management and resources efficiency. To measure the impacts from our operations from the robotics business, we have adopted a risk-based approach to identify significant environmental aspects by measuring the scale of potential impact and its likelihood. This helps us prioritise mitigation measures on the activities that are the most impactful to the environment.

Our Environmental Key Performance Indicators (KPIs) during 2017

Environmental KPIs	Unit	2017
Nitrogen oxides emissions (NO^x)	tonne	0.013
Total greenhouse gas (GHG) emissions	tonne CO_2e	345.56
Scope 1 — Direct emissions and removals	tonne CO_2e	46.75
Scope 2 — Energy indirect emissions	tonne CO_2e	298.81
Total hazardous waste produced	tonne	0.05
Total non-hazardous waste produced	tonne	5.55
Total energy consumption	kWh	508,624.25
Total direct energy consumption	kWh	167,101.25
Petrol	kWh	167,101.25
Total direct energy consumption intensity by revenue	kWh/Revenue HKD'000	2.12
Total indirect energy consumption	kWh	341,523.00
Purchased electricity	kWh	341,523.00
Total indirect energy consumption intensity by revenue	kWh/Revenue HKD'000	4.33
Water consumption	m^3	1,261.00
Water consumption intensity by revenue	m^3/Revenue HKD'000	0.016
Total packaging material	tonne	3.64

Employment and Labour Practices

Employment

Our people are the key to the success of our business and we adopt a people-centric strategy to human capital management. To attract and motivate talent, the Group is committed to providing a rewarding career and maintaining a safe, equal and inclusive working environment free from any kind of discrimination. Our human resources policies and handbook has clear guidelines on covering compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Recruiting and retaining talent is vital to our business growth. To identify and secure suitable young talent with the needed knowledge and skillsets for our high-tech robotics business, we work closely with universities in Shenzhen, Mainland China for campus recruitment. In addition, we extend our career recruitment outside of Shenzhen to engage and attract students and graduates from the rest of Mainland China through popular social media platforms such as WeChat.

Our employees are assessed and incentivised based on their performance. The Group reviews the remuneration package annually to maintain competitiveness in the market. In addition to standard compensation packages and bonuses, we offer a range of other benefits including footwear allowance, free beauty treatments, staff discount and meal allowance.

To enhance employee engagement and encourage collaboration, during the year, we organise a range of teambuilding activities, including an outdoor team-bonding day, corporate basketball matches, and public speaking competitions amongst colleagues.

Health and Safety

Occupational health and safety (OHS) and the wellbeing of our employees are our key priorities. We adopt proper procedures at the workplace to ensure employees have sufficient training and support.

Our Engineering Business has implemented an OHSAS18001-compliant occupational safety system with policies and processes in place which clearly define requirements on the continuous improvement of safety risk management. Our employees are required to participate in regular safety training such as seminars and workshops to enhance safety awareness and be equipped with necessary safety knowledge. Workers at manufacturing sites of the Engineering Business are provided with proper personal protective equipment and are required to receive relevant training.

At our Beauty Business, sharp materials such as needles are used when we provide our medical skincare services which can pose health and safety risks. Hence we offer our employees with induction and refresher training on safety procedures. In addition, we have put up reminders at the workplace highlighting standard operating procedures and the appropriate emergency response in the event of accidental injury.

We encourage and support employees in maintaining a healthy work life balance. Therapists are provided with a break of at least 15 minutes between beauty therapy sessions; this aims to help them better concentrate at work and minimise health and safety risks due to fatigue.

Fire drills and safety seminars are conducted every year to prepare our employees for potential fire emergencies.

Development and Training

We believe that continuous development and training of our people is the key to sustaining our high service quality and competitiveness in the market. We engage with our employees from time to time to understand their developmental needs and encourage them to learn new skills and knowledge for professional and personal development.

Our business requires a high level of skills and expertise. To keep our engineers up to date with the latest robotics technology development, we regularly arrange training courses on software programming, robotics design and manufacturing. Depending on the training needs, we also invite external consultants to provide training courses where needed.

For our Beauty Business, to equip our frontline staff with the right skillset and knowledge, we provide one-month full-time training, covering medical theories, practical skills and customer service, coached by experienced employees and registered doctors. The trainees are required to pass a compulsory and stringent examination to qualify as a beauty therapist before providing service to the customer.

For our Engineering Business, to keep our employees updated with lastest trends and technology in the industry, we arrange regular meetings for staff to share knowledge and seminars conducted by industry leaders.

Labour Standards

Use of child or forced labour in our operations is strictly prohibited. We expect our suppliers to adhere to the same standard of labour practices.

Operating Practices

Supply Chain Management

The Group interacts with a number of suppliers and avoids use of a single supplier for products and services to minimise supply chain risks. We are committed to upholding high ethical and professional standards when dealing with suppliers. A process for supplier monitoring and screening has been established and implemented. Supplier performance, including quality and safety is assessed regularly; in the event of unsatisfactory performance, the supplier will be required to take timely follow-up actions. Suppliers who fail to comply with our standards can be suspended from initiating business operations with us.

In addition to our Engineering Business, our Quality Assurance team will conduct factory inspection on product quality as well as suitability, and if there are any failures found during production. Our Procurement team will be informed should suppliers fail the inspection and such suppliers shall subsequently be removed from the approved list.

Product Responsibility

The quality of our products and impeccable customer service is the foundation to the long-term sustainability of our business. The Group aspires to deliver high-standard beauty solutions, engineering products and related professional services to our customers.

We are committed to delivering products of high quality. Our Engineering Business has implemented a quality management system in line with the ISO9001 standard. Independent and accredited laboratories are engaged to assure the quality, performance and durability of our products such as bomb-disposal robots, to make sure they comply with customer specifications and relevant regulatory requirements as applicable. With an aim to facilitate quality management efficiency at our Engineering Business, we plan to set up in-house testing laboratories for our robotic and line machinery products at the new manufacturing facilities in the future. Products that do not meet customer requirements, or have potential safety concerns will be subject to investigation and recall; follow-up actions will be taken as appropriate and in time to identify and rectify the root cause.

Our Beauty Business has stringent criteria on product ingredients, certification and the place of origin when procuring beauty products. Products that are free of fragrance and preservatives are given priority. Products will be tested by our experienced staff prior to customer use. We have stronger preferences on skincare treatment machines that are being certified by reputable authorities such as the US Food and Drug Administration.

Our medical skincare centre adheres to its “3S” core values when delivering beauty therapy services to the customers, namely “strive for excellent and sustainable development” through excellent service, “self-esteem” through professional expertise and “sincere” through understanding the needs of customers.

Labelling and advertising of our products and services are in line with the applicable regulations to ensure that the information conveyed is complete and accurate.

We welcome constructive feedback from our customers and provide them with various communication channels. At our Beauty Business, customer opinions and feedback is collected through questionnaires after therapy. Customer complaints including post-treatment allergic reactions are documented in writing upon receipt. Our customer service staff are well trained and capable in handling customer complaints in a timely and efficient manner. Compensation is decided and provided to customers based on our established procedures for confirmed cases.

The Group is committed to protecting customer privacy and has established and implemented respective policies and procedures. All employees are required to sign the confidentiality and non-disclosure agreement and abide by its requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group respects intellectual property rights and is committed to avoiding any infringement of intellectual property rights of other parties. Employees are required to obtain licences or other permissions and follow relevant requirements. Most of our robotics products are developed in-house and 24 patents were acquired in Mainland China in 2017. Employees are required to strictly follow relevant laws and regulations, as well as internal policies and procedures in protecting our own intellectual property rights from infringement.

Anti-corruption

The Group attaches great importance to business integrity and upholds high standards in business ethics. We have zero tolerance for any form of corruption, bribery, fraud, and money laundering and have specified relevant requirements to all employees in the employee handbook. Employees are provided with channels to raise concerns and report any suspected misconduct in a confidential manner.

Community Investment

The Group strives to contribute to the community with its resources and expertise. We have been supporting the local public sector in their community projects by offering charitable donations. In 2017, we made a donation of about HK$6,400 to support the community services by Banyan Services Association Limited, a non-governmental organisation dedicated to helping the elderly who live independently. In the coming years, we will continue to seek opportunities to cooperate with external organisations to increase our community outreach and contribution.

Regulatory Compliance

During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment, labour practices and operating practices.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SuperRobotics Limited (Formerly known as "SkyNet Group Limited")
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of SuperRobotics Limited (formerly known as SkyNet Group Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 108, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from sales of prepaid treatment services;

- Business combination; and

- Impairment assessment of goodwill arising from the acquisitions of Engineering Services Inc. ("ESI") and China Honest Enterprises Limited ("China Honest").

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from sales of prepaid treatment services Refer to Notes 2.22, 4(d), 5 and 26 to the consolidated financial statements During the year ended 31 December 2017, revenue from treatment services contracts amounting to HK$42,382,000, and HK$3,564,000 of which was related to recognition of revenue from expired treatment contracts. At 31 December 2017, the Group had deferred revenue of HK$30,030,000. As described in the Accounting Policies in note 2.22 to the consolidated financial statements, revenue from service income is recognised when services are provided. Payments that are related to services not yet rendered are shown as deferred revenue in the consolidated statement of financial position. The Group recognises revenue in consolidated statement of comprehensive income for prepaid service contracts expired in accordance with the contractual service periods stipulated in the respective sales contracts, which last for 3 months to 2 years from the date of the relevant contract. Nevertheless, the Group may, depending on facts and circumstances for each case, accommodate certain amount of redemption after expiry of the contractual service period. Accordingly, at each reporting date, the Group assesses the level of expired revenue to be deferred based on past experience for the level of subsequent redemptions. Therefore, the recognition of revenue upon expiry of prepaid treatment contracts involves significant judgement as management is required to assess whether the performance obligations for service contracts are discharged.	Our procedures in relation to management's assessment of revenue recognition upon expiry of prepaid treatment contracts include the following procedures: - We obtained an understanding and evaluated the appropriateness of the basis management used in the assessment (including the applied rate of redemption after expiry) for the level of expired revenue to be deferred. - We compared the applied rate of subsequent redemption used in the assessment to the historical records on redemption after expiry. - We tested the data accuracy of the historical redemption records used by management, on a sample basis, by checking whether these prepaid treatment contracts were redeemed subsequently to the expiry. Based on available evidence, we found the assessment made by management in relation to the revenue recognition upon expiry of prepaid treatment contracts to be supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Business combination Refer to Notes 2.2(a), 4(b) and 30 to the consolidated financial statements In November 2016, the Group completed a transaction to acquire the entire interest of ESI at a cash consideration of HK$54,000,000. As of 31 December 2016, the initial accounting has not been completed as the business combination occurred in late November 2016, being close to the Group's year end and when the fair value is not easily determinable. Therefore, management was in the view of accounting for the business combination using provisionally determined amounts for goodwill, other intangible assets (patents) and deferred tax liabilities arising from business combination as of 31 December 2016. During the year ended 31 December 2017, following the finalisation of the provisional fair values for goodwill, other intangible assets (patents) and deferred tax liabilities, there is no change in the fair value of net assets acquired with no restatement of prior period numbers. The accounting of business combination of ESI involved various significant judgements. These judgements included the recognition of identifiable net assets at fair value at the acquisition date. The purchase price allocation of the transaction was supported by valuation performed by an independent professional valuer. The valuation involved unobservable inputs such as revenue growth rate, gross profit margin and discount rate. We focused on this area as the accounting of it required significant judgements and estimates by management.	Our procedures in relation to management's accounting of the business combination included: - We understood and assessed the rationale of management and independent professional valuer on the identification of intangible assets and methodologies used based on our knowledge of the business and by comparison with external information about other comparable companies in this industry; - We assessed the competency, capability, and objectivity of the independent professional valuer by considering their qualifications, relevant experiences and relationship with the Group; - We involved our internal valuation specialist to assess the appropriateness of key assumptions applied in the valuation by comparing the data inputs such as revenue growth rate, gross profit margin and discount rate used in the valuation model to market data, historical financial data and our knowledge of the business and industry. Based on the procedures described, we considered the judgements and estimates applied in the accounting of the acquisition of ESI to be supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill arising from the acquisitions of Engineering Services Inc. and China Honest Refer to notes 2.5, 4(c) and 16 to the consolidated financial statements As at 31 December 2017, goodwill of the Group in relation to the acquisitions of ESI and China Honest amounted to HK$81,770,000 and HK$18,266,000 respectively. As described in the Accounting Policies in note 2.5 to the consolidated financial statements, the Group is required to, at least annually, test goodwill for impairment. The assessment process involves significant judgement as it is to determine the value-in-use of the cash generating unit relating to the provision of engineering products and related services and China Honest respectively based on assumptions used in the cash flow forecast that may be affected by unexpected future market or economic conditions, in particular to revenue growth rate and the applied discount rate. The Group concluded that there is sufficient headroom as a result of the assessment with no impairment loss being recorded by management. We focused on the risk that the balance of the goodwill may be overstated and that an impairment loss may be required.	Our procedures in relation to management's impairment assessment of goodwill included: - We assessed the objectivity, independence and expertise of the external valuer used by management. - We used our in-house experts to assist us in evaluating the appropriateness of the value-in-use calculations methodology adopted by management and the external valuer. - We discussed with management about and evaluated the underlying key assumptions used in the cash flow forecasts (including revenue growth rate and discount rate used), taking into account market developments. - We compared the Company's forecasts for the current year made as of 31 December 2016 to the actual results of the current year to assess the quality of management's forecasting process. - We reconciled the cash flow forecasts to management's approved budgets and assessed the reasonableness of these budgets by comparing historical information and business plan. - We benchmarked the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players. - We evaluated and discussed discount rates used in the calculations by comparing with the industries or market data. - We tested the mathematical accuracy of the underlying value-in-use calculations. - We further evaluated the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benson Wai Bong Wong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**78,799**	61,521
Cost of sales		**(48,445)**	(106,994)
Gross profit/(loss)		**30,354**	(45,473)
Other income	6	**757**	307
Other gains/(losses), net	7	**757**	(1,441)
Selling and distribution expenses		**(8,583)**	(12,217)
Administrative expenses		**(122,694)**	(35,251)
Reversal of impairment loss previously recognised and interest income in respect of other receivables	19	**—**	51,132
Operating loss	8	**(99,409)**	(42,943)
Finance costs	9	**(6)**	(198)
Loss before income tax		**(99,415)**	(43,141)
Income tax credit/(expense)	12	**2,304**	(607)
Loss for the year		**(97,111)**	(43,748)
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**9,629**	(534)
Total other comprehensive income/(loss) for the year		**9,629**	(534)
Total comprehensive loss for the year		**(87,482)**	(44,282)
(Loss)/profit attributable to:			
Owners of the Company		**(99,059)**	(44,946)
Non-controlling interests		**1,948**	1,198
		(97,111)	(43,748)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(89,424)**	(45,480)
Non-controlling interests		**1,942**	1,198
		(87,482)	(44,282)
Loss per share to the owners of the Company for the year			
Basic and diluted (expressed in HK cent per share)	13	**(21.36)**	(10.66)

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	15	**22,122**	7,026
Intangible assets	16	**128,144**	127,166
Deposits	19	**2,523**	1,479
		152,789	135,671
Current assets			
Inventories	17	**5,915**	2,645
Tax recoverable		**—**	260
Trade receivables	18	**14,496**	4,312
Deposits, prepayments and other receivables	19	**13,301**	4,147
Financial assets at fair value through profit or loss	20	**97,627**	7,052
Restricted bank deposits	21	**18,727**	12,338
Cash and cash equivalents	21	**80,434**	152,218
		230,500	182,972
Total assets		**383,289**	318,643
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — Ordinary shares	22	**47,622**	45,522
Share capital — Preferred shares	22	**3,000**	3,000
Reserves		**264,945**	211,525
		315,567	260,047
Non-controlling interests		**2,250**	308
Total equity		**317,817**	260,355

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	23	**821**	965
Accruals and other payables	24	**25,151**	20,391
Other borrowings	25	**1,568**	1,960
Tax payables		**360**	277
Deferred revenue	26	**30,030**	26,143
		57,930	49,736
Non-current liability			
Deferred taxation	27	**7,542**	8,552
		7,542	8,552
Total liabilities		**65,472**	58,288
Total equity and liabilities		**383,289**	318,643
Net current assets		**172,570**	133,236
Net assets		**317,817**	260,355

The consolidated financial statements were approved and authorised for issued by the Board of Directors on 19 March 2018 and are signed on its behalf.

Zhang Chong
Director

Zhang Chongdi
Director

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital-ordinary shares HK$'000	Share capital-preferred shares HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	41,980	3,000	196,380	27,141	192	—	(129,341)	139,352	825	140,177
(Loss)/profit for the year	—	—	—	—	—	—	(44,946)	(44,946)	1,198	(43,748)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	(534)	—	—	(534)	—	(534)
Total comprehensive (loss)/profit for the year	—	—	—	—	(534)	—	(44,946)	(45,480)	1,198	(44,282)
Placement of new shares	3,542	—	164,758	—	—	—	—	168,300	—	168,300
Share issuing expenses	—	—	(2,125)	—	—	—	—	(2,125)	—	(2,125)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,715)	(1,715)
At 31 December 2016 and at 1 January 2017	45,522	3,000	359,013	27,141	(342)	—	(174,287)	260,047	308	260,355
(Loss)/profit for the year	—	—	—	—	—	—	(99,059)	(99,059)	1,948	(97,111)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	9,635	—	—	9,635	(6)	9,629
Total comprehensive (loss)/profit for the year	—	—	—	—	9,635	—	(99,059)	(89,424)	1,942	(87,482)
Placement of new shares	2,100	—	129,150	—	—	—	—	131,250	—	131,250
Equity-settled share-based compensation	—	—	—	—	—	13,694	—	13,694	—	13,694
At 31 December 2017	47,622	3,000	488,163	27,141	9,293	13,694	(273,346)	315,567	2,250	317,817

Note:

(a) **Contributed surplus**

With effect from 22 April 2014, the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the "Change in Domicile"). Contributed surplus represents the amount transferred from share premium for the purpose of setting off against the accumulated losses pursuant to the Companies Act 1981 of Bermuda and the special resolution passed at the extraordinary general meeting held on 28 February 2013 as a result of the Change in Domicile and related capital reorganisation.

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	33	**(98,153)**	(33,315)
Hong Kong profits tax paid		**(450)**	(3,216)
China corporate income tax paid		**(295)**	—
Canada corporate tax refunded		**1,591**	—
Net cash used in operating activities		**(97,307)**	(36,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,354**	94
(Placement of)/proceeds from restricted bank deposits		**(6,383)**	319
Proceeds from disposal of property, plant and equipment	33	**1,752**	37
Proceeds from disposal of financial assets at fair value through profit or loss		**56,485**	—
Purchases of property, plant and equipment		**(18,718)**	(23,269)
Purchases of financial assets at fair value through profit or loss		**(144,116)**	(7,495)
Acquisition of a subsidiary, net of cash	30	**5,919**	(51,111)
Net cash used in investing activities		**(103,707)**	(81,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(6)**	—
Proceeds from placement of new shares		**131,250**	168,300
Share issuing expenses		**—**	(2,125)
Proceeds from other borrowings		**—**	4,940
Repayment to a related company		**—**	(3,495)
Repayment of obligation under finance leases		**—**	(3,905)
Repayment of other borrowings		**(392)**	(6,816)
Dividend paid to non-controlling interests		**—**	(1,715)
Net cash generated from financing activities		**130,852**	155,184
Net (decrease)/increase in cash and cash equivalents		**(70,162)**	37,228
Cash and cash equivalents at the beginning of the year		**152,218**	116,055
Effect of foreign exchange rate changes		**(1,622)**	(1,065)
Cash and cash equivalents at the end of the year	21	**80,434**	152,218

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

SuperRobotics Limited (formerly known as SkyNet Group Limited) (the "Company") and its subsidiaries (together "the Group") are principally engaged in the sale of beauty products, provision of therapy services and provision of engineering products and related services.

The Company is a limited liability company incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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

(a) New and amended standards adopted by the Group

During the year, the Group has adopted the following new standards, amendments and interpretations to standards, which are mandatory for accounting period beginning on 1 January 2017.

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendment)	Annual improvement to HKFRS 2014-2016 cycle

The adoption of these new and amended standards did not result in a significant impact to the Group's financial position and results.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards, amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2019
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKFRS 1 and HKAS 28 (Amendments)	Annual improvements to HKFRS 2014-2016 cycle	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over income tax treatments (new interpretation)	1 January 2019
Annual improvements projects	Annual improvements to HKFRS 2015-2017 cycle	1 January 2019

HKFRS 9 Financial Instruments

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group assessed that adopting HKFRS 9 will not have a material impact to the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New standards, amendments to standards and interpretations not yet adopted*** *(continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license agreements and principal versus agent commissions. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group does not plan to early adopt HKFRS 15. The Group assessed that adopting HKFRS 15 will not have a material impact to the Group’s results of operations and financial position.

The directors do not anticipate that the application of other new and revised HKFRS will have material impact.

HKFRS 16 Lease

The Group is a lessee of certain offices and beauty centre which are currently classified as operating leases. The Group’s current accounting policy for such leases, as set out in note 2.23, is to record the rental expenses in the Group’s consolidated statement of comprehensive income for the current year with the related operating lease commitments being separately disclosed in note 31. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group’s consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position.

In the consolidated statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) 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 recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated statement of comprehensive income.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated statement of comprehensive income.

2.5 Intangible assets

(a) 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 units ("CGUs"), 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 value of the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Intangible assets *(continued)*

(b) Other intangible assets

Intangible assets acquired in business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. Such intangible assets are recognised at their fair values at the acquisition date. The other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 5 years.

2.6 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%-33%
Leasehold improvement	20%-33%
Furniture, fixtures and equipment	14.29%-33%
WIFI and connection equipment	10%-33%
Motor vehicles	20%-25%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the statement of financial position.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

2.8.2 Recognition, derecognition and measurement

Regular way purchases and sales of investments are recognised on the date of trade — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.9 Offsetting financial instruments

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.

2.10 Impairment of financial assets

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of financial assets *(continued)*

Assets carried at amortised cost *(continued)*

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

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

2.11 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.

2.12 Trade and other receivables

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

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

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Trade and other payables

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

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.15 Borrowings

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

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.

2.16 Borrowing costs

General and specific 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.

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

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

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Share capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits

(a) Pension obligations

The Group operates a number of defined contribution plans in Hong Kong, the Mainland China and Canada. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.20 Share-based payments

Share-based compensation benefits are provided to employees. Information relating to these schemes is set out in note 28.

Employee options

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (e.g. the entity's share price)

— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised 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 engineering products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the beauty products, beauty equipment and engineering products 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 therapy services is recognised when the services are provided or the performance obligations for the services are lapsed. Payments that are related to services not yet rendered or services for which performance obligation not yet discharged are shown as deferred revenue in the consolidated statement of financial position.

Revenue from engineering services is recognised when the services are provided.

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.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, Mainland China (the "PRC") and Canada with transactions settled in Hong Kong dollars ("HK$"), Renminbi ("RMB"), Canadian dollars ("CAD") and US dollars ("USD"). The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate.

As the recognised assets and liabilities of the group entities that have been denominated in currencies other than the functional currency are minimal, management believes that the exchange rate risk for translations of recognised assets and liabilities from functional currency and presentation currency do not have material impact to the Group.

(ii) Price risk

The Group's listed securities are susceptible to market price risk arising from uncertainties about future prices of those financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risk profiles. Management considered that the exposure of listed securities to price risk is not significant.

(iii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets and liabilities except for certain bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group generally does not use financial derivatives to hedge its exposure to interest rate risk.

Management does not anticipate significant impact resulted from the changes in interest rates on interest-bearing assets and bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables and cash and bank balances. At 31 December 2017, 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 2017 and 31 December 2016 were minimal.

To manage the credit risk arising from wealth management products, the Group transacts with a reputable financial institution in the PRC. There has been no recent history of default in relation to the financial institution.

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) 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 equivalents 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 2017					
Trade payables	**821**	**—**	**—**	**821**	**821**
Accruals and other payables	**14,121**	**—**	**—**	**14,121**	**14,121**
Other borrowings	**1,568**	**—**	**—**	**1,568**	**1,568**
	16,510	**—**	**—**	**16,510**	**16,510**

	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 2016					
Trade payables	965	—	—	965	965
Accruals and other payables	16,573	—	—	16,573	16,573
Other borrowings	1,960	—	—	1,960	1,960
	19,498	—	—	19,498	19,498

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 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.

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 as at 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Total borrowings *(Note a)*	**1,568**	1,962
Less: cash and cash equivalents	**(80,434)**	(152,218)
Net cash	**(78,866)**	(150,256)
Equity attributable to owners of the Company	**315,567**	260,047
Gearing ratio	**0.5%**	0.8%

Note:

(a) Borrowings include other borrowings.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

According to HKFRS 13, financial instruments measured in the statement of financial position at fair value are required to disclose the fair value measurements by level of the following fair value measurement hierarchy:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 — Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017 and 31 December 2016.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
— Listed securities	4,471	—	—	4,471
— Wealth management products	—	93,156	—	93,156
	4,471	93,156	—	97,627
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
— Listed securities	7,052	—	—	7,052

The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

There were no transfers among levels 1, 2 and 3 during the year ended 31 December 2017.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements 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 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 year are discussed below.

(a) Impairment of non-financial assets

Non-financial assets including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in asset impairment review particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset is less than the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) whether appropriate key assumptions are applied in preparing cash flow projections including using an appropriate discount rate. Changing the assumptions selected by management in the impairment assessment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to charge an impairment loss to the consolidated statement of comprehensive income.

(b) Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated statement of comprehensive income.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

(d) Revenue recognition from sales of prepaid treatment services

Revenue from sales of prepaid treatment services is recognised when the services are provided or the performance obligations for the treatment services are lapsed upon the expiry of the treatment contracts, in accordance with the accounting policy stated in note 2.22. Whether the performance obligations are lapsed are varied from case to case and depend on the facts and circumstances for each case. Management judgment is required to assess whether the performance obligations are lapsed at the end of each reporting period based on past experiences and redemption history.

5 SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors, being the Group's chief operating decision-maker, which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, and the products and services they provide. Each of the Group's operating 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 operating segments. The Group currently has three operating segments:

(a) Sale of beauty products

(b) Provision of therapy services

(c) Provision of engineering products and related services (Note)

Note:

For the engineering products, the Group offers WLAN and WIFI systems, and robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for WLAN and WIFI systems as well as robotics and automation systems.

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information by operating segment are as follows:

For the year ended 31 December 2017

	Sale of beauty products	Provision of therapy services	Provision of engineering products and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue	4,228	42,382	32,189	78,799
Results				
Segment (loss)/profit	(714)	4,714	(79,570)	(75,570)
Interest income on bank deposits *(Note 6)*				250
Financial assets at fair value through profit or loss — fair value loss *(Note 7)*				(346)
Finance costs *(Note 9)*				(6)
Unallocated corporate income				508
Unallocated corporate expenses				(24,251)
Loss before income tax				(99,415)
Income tax credit *(Note 12)*				2,304
Loss for the year				(97,111)

5 SEGMENT INFORMATION *(continued)*

At 31 December 2017

	Sale of beauty products	Provision of therapy services	Provision of engineering products and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Assets				
Segment assets for operating segments	61	46,466	286,874	333,401
Unallocated corporate assets				49,888
Consolidated total assets				383,289
Liabilities				
Segment liabilities for operating segments	354	31,989	28,967	61,310
Unallocated corporate liabilities				4,162
Consolidated total liabilities				65,472

For the year ended 31 December 2017

	Sale of beauty products	Provision of therapy services	Provision of engineering products and related 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	—	197	18,464	57	18,718
Amortisation of other intangible assets	—	—	6,986	—	6,986
Depreciation of property, plant and equipment	196	2,372	2,312	15	4,895
Share-based compensation	—	—	13,694	—	13,694

5 SEGMENT INFORMATION *(continued)*

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information by operating segment are as follows:

For the year ended 31 December 2016

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Provision of engineering products and related services *HK$'000*	Consolidated *HK$'000*
Revenue				
Segment revenue	6,630	43,409	11,482	61,521
Results				
Segment (loss)/profit	(3,719)	2,856	(82,011)	(82,874)
Reversal of impairment loss previously recognised and interest income in respect of other receivables *(Note 19)*				51,132
Interest income on bank deposits *(Note 6)*				90
Unallocated corporate income				217
Unallocated corporate expenses				(11,065)
Financial assets at fair value through profit or loss – fair value losses *(Note 7)*				(443)
Finance costs *(Note 9)*				(198)
Loss before income tax				(43,141)
Income tax expense *(Note 12)*				(607)
Loss for the year				(43,748)

5 SEGMENT INFORMATION *(continued)*

At 31 December 2016

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Provision of engineering products and related services *HK$'000*	Consolidated *HK$'000*
Assets and liabilities				
Assets				
Segment assets for operating segments	3,891	33,890	138,680	176,461
Unallocated corporate assets				142,182
Consolidated total assets				318,643
Liabilities				
Segment liabilities for operating segments	89	28,572	22,639	51,300
Unallocated corporate liabilities				6,988
Consolidated total liabilities				58,288

For the year ended 31 December 2016

	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Provision of engineering products and related 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	—	2,175	13,538	1,279	16,992
Additions to other intangible assets	—	—	33,407	—	33,407
Amortisation of other intangible assets	—	—	684	—	684
Depreciation of property, plant and equipment	—	1,505	8,552	1,782	11,839

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

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

5 SEGMENT INFORMATION *(continued)*

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

— all assets are allocated to operating segments other than partial property, plant and equipment, partial deposits, prepayments and other receivables, financial assets at fair value through profit or loss, restricted bank deposits and cash and cash equivalents 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 operating segments other than partial accruals and other payables, tax payables and other borrowings that are not attributable to individual segments.

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	**2017** ***HK$'000***	2016 *HK$'000*
Sales of beauty products	**4,228**	6,630
Provision of therapy services	**42,382**	43,409
Provision of engineering products and related services	**32,189**	11,482
	78,799	61,521

Geographical information

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

	Revenue from external customers		**Non-current assets**	
	2017 ***HK$'000***	2016 *HK$'000*	**2017** ***HK$'000***	2016 *HK$'000*
Hong Kong	**46,610**	50,039	**23,341**	25,673
Mainland China	**32,189**	11,482	**13,490**	960
Canada	**—**	—	**115,958**	109,038
	78,799	61,521	**152,789**	135,671

Information about major customers

Revenue from three customers (2016: one customer) from "Provision of engineering products and related services" operating segment, individually contributing over 10% of the total revenue of the Group, is HK$31,403,000 (2016: HK$11,482,000).

6 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Management income	**232**	199
Interest income on bank deposits	**250**	90
Sundry income	**275**	18
	757	307

7 OTHER LOSSES, NET

	2017 HK$'000	2016 HK$'000
Gain/(loss) on disposal of property, plant and equipment, net	**1,103**	(998)
Financial assets at fair value through profit or loss		
— fair value loss *(Note 20)*	**(346)**	(443)
	757	(1,441)

8 OPERATING LOSS

Operating loss has been arrived at after charging:

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
— audit services	**1,560**	1,200
— non-audit services	**610**	580
Depreciation of property, plant and equipment *(Note 15)*	**4,895**	11,839
Amortisation of other intangible assets *(Note 16)*	**6,986**	684
Impairment loss recognised in respect of trade receivables *(Note 18)*	**—**	738
Impairment loss recognised in respect of deposits, prepayments and other receivables *(Note 19)*	**—**	5,717
Impairment loss recognised in respect of property, plant and equipment *(Note 15)*	**—**	16,792
Operating lease rentals in respect of rental premises	**13,547**	6,863
Staff costs (including directors' emoluments) *(Note 10)*	**73,610**	40,952
Write-off of property, plant and equipment	**145**	74
Impairment of inventories	**—**	104
Provision for impairment of inventories	**445**	36

9 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Bank charges	**6**	—
Interest on finance leases	**—**	149
Interest on other borrowings	**—**	49
	6	198

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2017	2016
	HK$'000	*HK$'000*
Salaries and other allowances	**54,407**	37,218
Pension costs – defined contribution plans *(Note 32)*	**5,509**	3,734
Equity-settled share-based compensation *(Note 28)*	**13,694**	—
	73,610	40,952

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: Nil) directors whose emoluments are reflected in the analysis shown in note 11. The emoluments payable to the remaining three (2016: five) individuals during the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other allowances	**6,975**	6,958
Pension costs – defined contribution plans	**54**	162
	7,029	7,120

The emoluments of the afore-mentioned individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollar)		
Nil — HK$1,000,000	**—**	4
HK$1,000,001 — 2,000,000	**1**	—
HK$2,000,001 — 4,000,000	**2**	1
	3	5

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name of Director	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Pension costs *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017					
Executive Directors					
Mr. Cai Zhaoyang	—	404	—	49	453
Mr. Chan Kin Wah, Billy *(Note (v))*	50	—	—	—	50
Mr. Lee Chan Wah *(Note (v))*	100	—	20	—	120
Mr. ZhangChong	—	—	—	—	—
Mr. ZhangChongdi	—	3,904	—	—	3,904
Dr. Andrew Goldenberg	—	3,903	—	—	3,903
Independent Non-Executive Directors					
Mr. Chu Kin Wang, Peleus	120	—	—	—	120
Mr. Tam B Ray, Billy	120	—	—	—	120
Mr. Tse Joseph	120	—	—	—	120
For the year ended 31 December 2016					
Executive Directors					
Mr. Cai Zhaoyang *(Note (iii))*	—	350	—	51	401
Mr. Chan Kin Wah, Billy	100	—	—	—	100
Mr. Lee Chan Wah	120	—	—	—	120
Mr. ZhangChong *(Note (iv))*	—	—	—	—	—
Mr. ZhangChongdi *(Note (iv))*	—	—	—	—	—
Dr. Andrew Goldenberg *(Note (iv))*	—	196	—	—	196
Independent Non-Executive Directors					
Mr. Chu Kin Wang, Peleus	120	—	—	—	120
Mr. Tam B Ray, Billy	120	—	—	—	120
Mr. Tse Joseph	120	—	—	—	120

Notes:

(i) Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking.

(ii) No remuneration has been paid by the Group to the Directors as an inducement to join upon joining the Group, or as compensation for loss of office during the current and prior years. There was no arrangement under which a Director waived or agreed to waive any remuneration during the current and prior years.

(iii) Appointed on 23 November 2015

(iv) Appointed on 22 December 2016

(v) Resigned on 25 May 2017

(vi) Resigned on 31 October 2017

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: Nil).

11 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Since 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 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 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.

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.

The term of the Master Supply Agreement was 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. On 31 December 2016, the Company came to the conclusion of not extending the term.

(f) Directors' material interests in transactions, arrangements or contracts

During the year ended 31 December 2017, Donica Connectivity purchased property, plant and equipment of HK$Nil (2016: HK$Nil) from Shenzhen Donica.

* *for identification purpose only*

12 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. The Group's subsidiaries in Mainland China are subject to the China corporate income tax at a rate of 25% (2016: 25%) on the estimated assessable profit. However, one of the Group's subsidiaries in Mainland China is subject to the China Corporate Income Tax at the rate of 15% for the 3 years ending 31 December 2019, after being assessed as a high and new technology enterprise. No income tax has been provided for the subsidiaries in Canada since the subsidiaries had no assessable profit for the year ended 31 December 2017 (2016: Nil).

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax:		
— Current taxation	**(1,070)**	(617)
— Over-provision in prior year	**—**	147
China corporate income tax:		
— Current taxation	**—**	(289)
— Under-provision in prior year	**(9)**	—
Canada corporation income tax incentive *(Note a)*	**1,591**	—
Deferred taxation *(Note 27)*	**1,792**	152
	2,304	(607)

Note:

(a) One of the Company's subsidiaries in Canada claimed a refundable tax credit in being a qualifying corporation for qualified expenditures on scientific research and experimental development performed in Ontario. The amount of HK$1,591,000 of Ontario innovation tax credit was refunded by Canada Revenue Agency.

The difference between the actual income tax charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax	**(99,415)**	(43,141)
Tax calculated at the domestic income tax rates	**22,129**	14,165
Income not subject to tax	**450**	8,864
Expenses not deductible for tax purposes	**(7,747)**	(2,413)
Tax losses not recognized	**(14,071)**	(21,341)
Effect of withholding taxes *(Note 27)*	**(59)**	(29)
Tax incentive *(Note a)*	**1,591**	—
Tax reduction	**20**	—
(Under)/over provision in prior year	**(9)**	147
Income tax credit/(expense)	**2,304**	(607)

13 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:

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**99,059**	44,946

	2017	2016
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**463,792**	421,453

For the years ended 31 December 2017 and 31 December 2016, 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.

Diluted loss per share for the year ended 31 December 2017 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

The directors of the Company do not recommend any payment of dividends for the year ended 31 December 2017 (2016: Nil).

15 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	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2016	5,056	6,454	4,245	17,534	—	33,289
Acquisition of a subsidiary *(Note 30(b))*	—	—	10	—	—	10
Additions	2,210	270	1,030	13,482	—	16,992
Disposals	—	(3,410)	(280)	(6,627)	—	(10,317)
Write-off	—	—	—	(97)	—	(97)
Exchange difference	(3)	(15)	(11)	(1,228)	—	(1,257)
At 31 December 2016 and 1 January 2017	7,263	3,299	4,994	23,064	—	38,620
Acquisition of a subsidiary *(Note 30(a))*	118	—	700	—	552	1,370
Additions	417	10,212	6,644	—	1,445	18,718
Disposals	—	—	(659)	—	—	(659)
Write-off	—	—	(466)	—	—	(466)
Exchange difference	23	378	266	1,632	83	2,382
At 31 December 2017	7,821	13,889	11,479	24,696	2,080	59,965
Accumulated depreciation and impairment						
At 1 January 2016	2,375	2,926	2,129	58	—	7,488
Depreciation *(Note 8)*	1,334	1,214	985	8,306	—	11,839
Disposals	—	(1,664)	(193)	(1,658)	—	(3,515)
Write-off	—	—	—	(23)	—	(23)
Impairment	—	—	103	16,689	—	16,792
Exchange differences	—	(11)	—	(976)	—	(987)
At 31 December 2016 and 1 January 2017	3,709	2,465	3,024	22,396	—	31,594
Depreciation *(Note 8)*	1,191	1,238	1,887	346	233	4,895
Disposals	—	—	(10)	—	—	(10)
Write-off	—	—	(321)	—	—	(321)
Exchange differences	2	38	39	1,598	8	1,685
At 31 December 2017	4,902	3,741	4,619	24,340	241	37,843
Carrying amounts						
At 31 December 2017	2,919	10,148	6,860	356	1,839	22,122
At 31 December 2016	3,554	834	1,970	668	—	7,026

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense, of which approximately HK$1,213,000 (2016: HK$9,587,000) and HK$3,682,000 (2016: HK$2,252,000) was charged to "cost of sales" and "administrative expenses" respectively, aggregated to a total depreciation expense of approximately HK$4,895,000 (2016: HK$11,839,000).

The cooperation agreement between Donica Connectivity, one of the subsidiaries of the Company, and an airline in the PRC (the "Airline") has been renewed on 24 October 2016 (the "2016 Cooperation Agreement").

On 30 December 2016, Donica Connectivity received a written notice dated 23 December 2016 from the Airline purporting to terminate the 2016 Cooperation Agreement due to certain requirements stated in the 2016 Cooperation Agreement were not fulfilled. Since the receipt of the termination notice, the Group has been communicating with the Airline for possible solution acceptable to both parties. Nevertheless no alternative solution was agreed. During the year ended 31 December 2016, impairment loss of approximately HK$7,098,000 was recognised for the WIFI and connection equipment as a result of the receipt of the termination notice.

As at 31 December 2016, the directors of the Company have assessed the recoverable amount of certain WIFI and connection equipment and determined an impairment loss of approximately HK$9,591,000 should be further recognised.

Impairment loss of approximately HK$16,689,000 and HK$103,000 was charged to "cost of sales" and "administrative expenses" respectively, aggregated to a total impairment loss on property, plant and equipment of approximately HK$16,792,000 for the year ended 31 December 2016.

16 INTANGIBLE ASSETS

	Goodwill *HK$'000*	Other intangible asset *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2016	18,266	—	18,266
Acquisition of a subsidiary in provisional amount *(Note 30(b))*	75,777	33,407	109,184
Exchange differences	275	121	396
At 31 December 2016 and 1 January 2017	94,318	33,528	127,846
Exchange differences	5,718	2,521	8,239
At 31 December 2017	100,036	36,049	136,085
Amortisation			
At 1 January 2016			
Charge for the year *(Note 8)*	—	684	684
Exchange difference	—	(4)	(4)
At 31 December 2016 and 1 January 2017	—	680	680
Charge for the year *(Note 8)*	—	6,986	6,986
Exchange difference	—	275	275
At 31 December 2017	—	7,941	7,941
Carrying amount			
At 31 December 2017	100,036	28,108	128,144
At 31 December 2016	94,318	32,848	127,166

Goodwill amounted to HK$18,266,000 arose from the acquisition of China Honest Enterprises Limited ("China Honest"). Goodwill was allocated to the sale of beauty products and provision of therapy services CGU (the "CGU 1"), which are operating segments.

On 23 November 2016, the Company entered into a sale and purchase agreement with Engineering Services International Holding Company Limited ("ESI Holdings"), to acquire the entire shares in Engineering Services Inc. ("ESI") at a cash consideration of HK$54,000,000. The acquisition was completed on 25 November 2016 (Note 30(b)). Goodwill from such acquisition amounted to HK$75,777,000 has been allocated to the provision of engineering products and related services CGU (the "CGU 2"). Other intangible asset, arose from the acquisition of the ESI, represents the patents registered in the different countries.

16 INTANGIBLE ASSETS *(continued)*

As of 31 December 2016, the initial accounting has not been completed as the business combination occurred in late November 2016, being close to the Group's year end and when the fair value is not easily determinable. Therefore, management was in the view of accounting for the business combination using provisionally determined amounts for goodwill, other intangible assets (patents) and deferred tax liabilities arising from business combination as of 31 December 2016. During the year ended 31 December 2017, following the finalisation of the provisional fair values for goodwill, other intangible assets (patents) and deferred tax liabilities, there is no change in the fair value of net assets acquired with no restatement of prior period numbers. (Note 30(b))

Other intangible asset is amortised over the estimated useful life of 5 years. For the year ended 31 December 2017, amortisation of HK$6,986,000 (2016: HK$684,000) has been charged to "cost of sales" in the consolidated statement of comprehensive income.

Impairment test of goodwill arising from the acquisition of China Honest

Goodwill from the acquisition of China Honest has been allocated to CGU 1 for impairment testing. The recoverable amount of the CGU 1 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 pre-tax discount rate of 15.5% per annum (2016: 15.7% per annum).

Assumed growth rate is 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 2% (2016: 3%) per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

Impairment test of goodwill arising from the acquisition of ESI

Goodwill acquired through business combination of the acquisition of ESI has been allocated to the CGU 2 for impairment testing. The recoverable amount of the CGU 2 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 ten-year period, and a pre-tax discount rate of 23.3% (2016: 24.8%) per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a ten-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 2% (2016: 2%) per annum beyond the ten-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 CGU 1 and CGU 2 with reference to the valuations performed by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, and determined that no impairment loss is recognised for the years ended 31 December 2017 and 2016 as the recoverable amounts exceeds the carrying amounts.

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 CGUs to exceed the their recoverable amounts.

Other intangible asset arose from the acquisition of the ESI completed on 25 November 2016. It represents the patents registered in the different countries. This intangible asset is amortised over the estimated useful life of 5 years. For the year ended 31 December 2017, amortisation of HK$6,986,000 (2016: HK$684,000) has been charged to "cost of sales" in the consolidated statement of comprehensive income.

17 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**2,076**	—
Work-in-progress	**2,365**	—
Finished goods	**1,474**	2,645
	5,915	2,645

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately HK$17,895,000 (2016: approximately HK$16,136,000).

Certain inventories were obsolete that could not generate future economic benefits and provision for impairment of inventories of approximately HK$445,000 (2016: approximately HK$36,000) was recognised.

18 TRADE RECEIVABLES

The Group allows credit periods to customers ranging from 0 day to 120 days. At 31 December 2017, trade receivables of HK$14,496,000 (2016: HK$4,196,000) were neither past due nor impaired. These related to a number of independent customers for whom there was no relevant history of default. Trade receivables that are less than three months past due are not considered impaired except for customers which are in unexpected difficult economic situations. Trade receivables of HK$Nil (2016: HK$707,000) were impaired in full. The amount of the individually impaired receivables mainly relate to customers that were in financial difficulties and have been past due for over 3 months.

The ageing analysis of trade receivables by past due date is as follows:

	2017 HK$'000	2016 HK$'000
Current	**14,496**	4,196
1 – 30 days	**—**	116
31 – 60 days	**—**	—
61 – 90 days	**—**	—
Over 90 days	**756**	707
	15,252	5,019
Less: Provision for impairment of trade receivables	**(756)**	(707)
Trade receivables, net	**14,496**	4,312

The carrying amounts of the Group's trade receivables approximate their fair values.

The Group's approach of managing credit risk is disclosed in note 3.

18 TRADE RECEIVABLES *(continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**4,534**	4,312
RMB	**9,962**	—
	14,496	4,312

Movement in the provision for impairment of trade receivables for the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**707**	—
Provision for receivable impairment	**—**	738
Exchange difference	**49**	(31)
At 31 December	**756**	707

The impairment provision made during the year ended 31 December 2016 has been included in the "administrative expenses" in the consolidated statement of comprehensive income.

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Deposits	**2,523**	1,479
	2,523	1,479
Current assets		
Deposits paid	**457**	194
Prepayments	**8,298**	1,320
Other receivables *(Notes a and b)*	**251,830**	249,776
Less: Provision for impairment of other receivables	**(247,284)**	(247,143)
	13,301	4,147
	15,824	5,626

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Movement in the provision for impairment of other receivables for the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**247,143**	287,939
Provision for impairment	**—**	5,717
Reversal of previously recognised provision for impairment *(Note (b))*	**—**	(46,513)
Exchange difference	**141**	—
At 31 December	**247,284**	247,143

Deposits, prepayments and other receivables are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**6,354**	886
RMB	**8,921**	4,265
CAD	**549**	475
	15,824	5,626

Notes:

(a) Included in the other receivables was a balance of HK$241,420,000 due from Blu Spa Group Limited, a former subsidiary. The balance was non-interest bearing, unsecured and repayable on demand. The subsidiary had not been consolidated since July 2011 due to lack of books and records and was subsequently disposed of at HK$1 on 19 December 2014 to Koffman Investment Limited, a company held by a former director of the Company. Full impairment had been made by 30 June 2014. During the year ended 31 December 2017, the Directors of the Company filed a claim against the related former auditors.

(b) On 30 April 2010, Blu Spa (Hong Kong) Limited ("BSHK"), former subsidiary of the Group, entered into a sale and purchase agreement with Mr. Shum Yeung ("Mr. Shum"), pursuant to which BSHK had agreed to acquire an investment at a total consideration of HK$80,000,000. The Group paid a refundable deposit of HK$45,000,000 upon signing of the sale and purchase agreement in 2010. However, the acquisition did not proceed. The Group entered into a deed of termination and various deeds of settlement with Mr. Shum and the refundable deposit was partially repaid by Mr. Shum upon signing of the deeds. The Group has initiated legal proceedings against Mr. Shum for the outstanding refundable deposit of HK$39,127,000 since 2012. The deposit was fully provided for by 31 December 2014 as the outcome of the legal proceedings was uncertain.

On 13 December 2016, an order was granted by the Court of Appeal of the High Court of Hong Kong Special Administrative Region that, among others, the appeal taken out by Mr. Shum by way of a notice of appeal filed on 16 June 2016 be dismissed with no order as to costs. The Group received the aggregate amount of the outstanding and unpaid refundable deposit and the accrued interest of HK$51,132,000 as a result of the end of the aforesaid legal proceedings against Mr. Shum. As a result, the Group recognised an amount of reversal of impairment loss previously recognised in respect of other receivables and interest income of HK$46,513,000 and HK$4,619,000 respectively in the consolidated statement of comprehensive income in 2016.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
— Equity securities listed in Hong Kong, at fair value	4,471	7,052
— Wealth management products *(Note (a))*	93,156	—
	97,627	7,052

Note:

(a) The wealth management products represent investment in wealth management products through a security broker in the PRC. The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets designated at fair value through profit or loss. As at 31 December 2017, the carrying amount of wealth management products approximates their fair value. The fair values are based on the quoted expected returns and are within level 2 of the fair value hierarchy.

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	4,471	7,052
RMB	93,156	—
	97,627	7,052

Movement in the financial assets at fair value through profit or loss is as follows:

	2017	2016
	HK$'000	*HK$'000*
Beginning of the year	7,052	—
Additions	144,116	7,495
Disposal	(56,485)	—
Fair value loss through profit or loss *(Note 7)*	(346)	(443)
Exchange difference	3,290	—
End of the year	97,627	7,052

21 CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Cash at bank and on hand	**80,434**	152,218
Restricted bank deposits:		
Interest-bearing	**18,727**	12,338
	99,161	164,556
Maximum exposure to credit risk	**98,648**	163,845

The bank balances are deposited with creditworthy banks with no recent history of default.

There is no concentration of credit risk with respect to bank balances, as the Group has placed deposits with a number of banks.

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 services business for varying periods of between one month to three months and earn interest at rates ranging from 0.05% to 0.60% per annum (2016: 0.05% to 0.60% per annum).

Cash and cash equivalents are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**82,479**	157,589
RMB	**4,365**	5,412
USD	**11,423**	360
CAD	**894**	1,195
	99,161	164,556

At 31 December 2017, approximately HK$4,069,000 (2016: HK$5,249,000) of the Group's cash and cash equivalents placed with banks in Mainland China were denominated in Renminbi, which is subject to foreign exchange control regulations of Mainland China.

22 SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each (2016: HK$0.10 each)		
Authorised:		
At 31 December 2016, at 1 January 2017 and at 31 December 2017	4,950,000	495,000
Issued and fully paid:		
At 1 January 2016	419,803	41,980
Subscription of shares *(Note (b))*	35,417	3,542
At 31 December 2016 and at 1 January 2017	455,220	45,522
Placement of new shares *(Note (c))*	21,000	2,100
At 31 December 2017	476,220	47,622
Preferred shares of HK$0.10 each (2016: HK$0.10 each)		
Authorised:		
At 31 December 2016, at 1 January 2017 and at 31 December 2017	50,000	5,000
Issued and fully paid:		
At 31 December 2016, at 1 January 2017 and at 31 December 2017	30,000	3,000

22 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$0.4 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$0.1 each in the authorised share capital of the Company into 4,950,000,000 ordinary shares of HK$0.1 each and 50,000,000 preferred shares of HK$0.1 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) On 14 December 2016, 35,417,000 new ordinary shares of HK$0.1 each were placed at a price of HK$4.8 per ordinary share by way of placement of new shares under general mandate, raising HK$168,300,000 (net of proceeds), of which HK$46,300,000 was intended to be used to settle the shareholders' loan due by ESI, and approximately HK$121,400,000 was intended to use as general working capital of the Group.

(c) On 4 August 2017, 21,000,000 new ordinary shares of HK$0.1 each were placed at a price of HK$6.25 per ordinary share by way of placement of new shares under general mandate, raising HK$130,000,000 (net of proceeds), being intended to use as general working capital of the Group.

23 TRADE PAYABLES

As at 31 December 2017, the ageing analysis of trade payables by invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**821**	877
31 – 60 days	**—**	88
	821	965

The carrying amounts of the Group's trade payables approximate their fair values.

The carrying amounts of the Group's trade payables balances are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**471**	965
RMB	**350**	—
	821	965

24 ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Accruals	**10,626**	11,798
Other payables	**14,525**	8,593
	25,151	20,391

The carrying amounts of the Group's accruals and other payables approximate their fair values.

The carrying amounts of the Group's accruals and other payables balances are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**4,711**	7,120
RMB	**19,283**	11,246
CAD	**1,157**	2,025
	25,151	20,391

25 OTHER BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Non-interest bearing other borrowings	**1,568**	1,960

Carrying amount repayable:

	2017	2016
	HK$'000	*HK$'000*
Within one year or on demand	**1,568**	1,960

At 31 December 2017 and 31 December 2016, the non-interest bearing other borrowings were unsecured and repayable within one year.

The carrying amounts of the Group's other borrowings are denominated in HK$.

26 DEFERRED REVENUE

The movement of deferred revenue is as follows:

	HK$'000
At 1 January 2016	24,712
Sales contracts entered into during the year *(Note a)*	44,352
Revenue recognised upon the provision of services *(Note b)*	(38,275)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(4,533)
Refunds of treatment packages *(Note d)*	(113)
At 31 December 2016 and at 1 January 2017	26,143
Sales contracts entered into during the year *(Note a)*	46,152
Revenue recognised upon the provision of services *(Note b)*	(38,566)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(3,564)
Refunds of treatment packages *(Note d)*	(135)
At 31 December 2017	30,030

Notes:

(a) The amounts represent receipts from provision of therapy services to clients during the year 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 comprehensive income as a result of therapy services rendered to clients during the years ended 31 December 2017 and 2016.

26 DEFERRED REVENUE *(continued)*

Notes: (continued)

(c) The amounts represent revenue recognised in consolidated statement of 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 years ended 31 December 2017 and 2016 in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

27 DEFERRED TAXATION

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

	Recognition of other intangible assets *HK$'000*	Unremitted earnings of subsidiaries in the PRC *HK$'000*	Total *HK$'000*
At 1 January 2016	—	—	—
Acquisition of a subsidiary	8,853	—	8,853
(Credit)/charge to profit or loss *(Note 12)*	(181)	29	(152)
Exchange difference	(149)	—	(149)
At 31 December 2016 and at 1 January 2017	8,523	29	8,552
(Credit)/charge to profit or loss *(Note 12)*	(1,851)	59	(1,792)
Exchange difference	776	6	782
At 31 December 2017	7,448	94	7,542

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets HK$51,829,000 (2016: HK$38,024,000) in respect of losses amounting to HK$210,921,000 (2016: HK$157,689,000) that can be carried forward against future taxable income, of which HK$117,629,000 and HK$70,285,000 (2016: HK$102,588,000 and HK$32,879,000) will expire in five years and twenty years respectively. The remaining amount has no expiry date.

The Group is subject to withholding tax on distribution of profits generated from the Group's foreign-invested enterprises in the PRC. As one of the Group's foreign-invested enterprises is directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of its respective withholding tax. In respect of the entity that is not wholly owned by a Hong Kong incorporated subsidiary, a rate of 10% is applicable to the calculation of its respective withholding tax.

28 SHARE-BASED PAYMENTS

Under the share option scheme which was granted on 3 January 2017 (the "Grant Date"), the exercise price of the granted options is equal to HK$8.90. Options are conditional on completing ranging from one to four years of services (the "Vesting Period"). The options are exercisable within five years from the Grant Date and are expiring on 2 January 2022 (both days inclusive).

Movements of the share options under the share option scheme during the year ended 31 December 2017 are as follows:

Grantee	Date of Grant	Exercise price HK$	Exercise period	As at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2017
Employees of the Group	3 January 2017	8.90	3 January 2018 to 2 January 2022	—	7,480,000	—	(97,000)	—	7,383,000
Total				—	7,480,000	—	(97,000)	—	7,383,000

The share options granted to the employees of the Group shall be vested in four equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
1,870,000 share options	3 January 2017 to 2 January 2018	3 January 2018 to 2 January 2022
1,870,000 share options	3 January 2017 to 2 January 2019	3 January 2019 to 2 January 2022
1,870,000 share options	3 January 2017 to 2 January 2020	3 January 2020 to 2 January 2022
1,870,000 share options	3 January 2017 to 2 January 2021	3 January 2021 to 2 January 2022

The Company has used the Binomial Option Pricing Model for assessing the fair value of the share options granted. According to the Binomial Option Pricing Model, the fair value of the options granted during the year ended 31 December 2017 measured as at the date of grant of 3 January 2017 was approximately in a range of HK$3.3730 to HK$3.8671 for each of the four tranches at its closing price at HK$8.90 per share, taking into account various factors, variables and assumptions which include the following:

(i) the risk-free interest rate used was 1.592%;

(ii) the expected volatility was about 49%; and

(iii) the expected annual dividend yield of 0%.

The expense for share options granted to the employees of HK$13,694,000 is recognised as "employee benefit expenses" in the consolidated statement of comprehensive income.

29 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2017	2016
	HK$'000	*HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**1**	3
Interests in subsidiaries	**327,106**	121,846
	327,107	121,849
Current assets		
Deposits, prepayments and other receivables	**258**	150
Cash and cash equivalents	**33,145**	119,817
	33,403	119,967
Total assets	**360,510**	241,816
EQUITY		
Capital and reserves		
Share capital — Ordinary shares	**47,622**	45,522
Share capital — Preferred shares	**3,000**	3,000
Reserves	**307,501**	190,690
Total equity	**358,123**	239,212
LIABILITIES		
Current liabilities		
Amount due to a former director	**—**	64
Accruals and other payables	**2,387**	2,466
Other borrowings	**—**	74
Total liabilities	**2,387**	2,604
Total equity and liabilities	**360,510**	241,816
Net current assets	**31,016**	117,363
Total assets less current liabilities	**358,123**	239,212

The statement of financial position of the Company was approved by the Board of Directors on 19 March 2018 and was signed on its behalf.

Zhang Chong
Director

Zhang Chongdi
Director

29 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	196,380	27,141	(134,948)	88,573
Loss and total comprehensive loss	—	—	(60,516)	(60,516)
Placement of new shares	164,758	—	—	164,758
Share issue expenses	(2,125)	—	—	(2,125)
At 31 December 2016 and at 1 January 2017	359,013	27,141	(195,464)	190,690
Loss and total comprehensive loss	—	—	(12,339)	(12,339)
Placement of new shares	129,150	—	—	129,150
At 31 December 2017	488,163	27,141	(207,803)	307,501

30 BUSINESS COMBINATIONS

(a) Acquisition of 深圳市安澤智能工程有限公司

On 24 January 2017, the Company entered into a sale and purchase agreement, for acquiring 100% of the equity shares in 深圳市安澤智能工程有限公司 ("Shenzhen Anzer Intelligent Engineering Co., Ltd." or "Anzer") at a cash consideration of RMB500,000 (equivalent to HK$565,000). The acquisition was completed on 20 February 2017.

As a result of the acquisition, the Group is expected to deploy a domestic industry transformation and production platform through which the Group's abilities of commercialisation of technology and potential for market development could be strengthened. No goodwill was arising from the acquisition.

The revenue included in the consolidated statement of comprehensive income for the period from 20 February 2017 to 31 December 2017 contributed by Anzer was HK$31,577,000. Anzer also contributed profit of HK$523,000 over the same period. The net cash inflow from acquisition of Anzer approximated HK$5,919,000 during the year ended 31 December 2017, which mainly comprised of cash consideration of HK$565,000 offset by cash and cash equivalents of approximately HK$6,484,000 acquired from Anzer. Had Anzer been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of HK$31,577,000 and profit of HK$90,000.

30 BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of 深圳市安澤智能工程有限公司 *(continued)*

	On acquisition *HK$'000*
Purchase consideration:	
— Cash paid	565
Total purchase consideration	565
Fair value of net assets acquired (see below)	(565)
Goodwill	—

The assets and liabilities arising from the acquisition are as follows:

	Fair value *HK$'000*
Cash and cash equivalents	6,484
Property, plant and equipment	1,370
Prepayments and other receivables	3,425
Trade payables	(415)
Accruals and other payables	(10,299)
Net assets acquired	565

The following values of the identifiable assets and liabilities have been determined on the following basis:

(a) The fair value of prepayments and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the date of acquisition.

(b) The fair value of non-derivative financial liabilities, which includes accruals and other payables, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the date of acquisition.

30 BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Engineering Services Inc. ("ESI")

On 23 November 2016, the Company entered into a sale and purchase agreement with ESI Holdings, for acquiring 100% of the equity shares in ESI at a cash consideration of HK$54,000,000. The acquisition was completed on 25 November 2016.

As a result of the acquisition, the Group is expected to increase its engineering business portfolio to include high-tech robotics and light machinery and extend the geographical coverage of its business operations. The goodwill of HK$75,777,000 arising from the acquisition was attributable to further expand its business portfolio and business territory. None of the goodwill recognised was expected to be deductible for income tax expenses.

The revenue included in the consolidated statement of comprehensive income for the period from 25 November 2016 to 31 December 2016 contributed by ESI was HK$1,000. ESI also contributed loss of HK$2,900,000 over the same period. The net cash outflow from acquisition of ESI approximated HK$51,111,000 during the year ended 31 December 2016, which mainly comprised of cash consideration of HK$54,000,000 offset by cash and cash equivalents of approximately HK$2,889,000 acquired from ESI. Had ESI been consolidated from 1 January 2016, the consolidated statement of comprehensive income would show pro-forma revenue of HK$61,677,000 and loss of HK$74,934,000.

As of 31 December 2016, the initial accounting has not been completed as the business combination occurred in late November 2016, being close to the Group's year end and when the fair value is not easily determinable. Therefore, management was in the view of accounting for the business combination using provisionally determined amounts for goodwill, other intangible assets (patents) and deferred tax liabilities arising from business combination as of 31 December 2016.

	On acquisition *HK$'000*
Purchase consideration:	
— Cash paid	54,000
Total purchase consideration	54,000
Fair value of net liabilities acquired (see below)	21,777
Goodwill	75,777

30 BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Engineering Services Inc. ("ESI") *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	HK$'000
Cash and cash equivalents	2,889
Property, plant and equipment	10
Other intangible assets	33,407
Prepayments and other receivables	358
Accruals and other payables	(49,588)
Deferred tax liabilities *(Note 27)*	(8,853)
Net liabilities acquired	(21,777)

The following values of the identifiable assets and liabilities have been determined on the following basis during the year ended 31 December 2016:

(a) The fair value of prepayments and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the date of acquisition.

(b) The fair value of non-derivative financial liabilities, which includes accruals and other payables, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the date of acquisition.

The following fair values have been determined on a provision basis during the year ended 31 December 2016:

(a) The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sales of the goods and services of the acquired subsidiary.

During the year ended 31 December 2017, following the finalisation of the provisional fair values for goodwill, other intangible assets (patents) and deferred tax liabilities, there is no change in the fair value of net assets acquired with no restatement of prior period numbers.

31 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**4,880**	9,137
In the second to fifth year inclusive	**4,249**	6,058
	9,129	15,195

Operating lease payments represent rentals paid or payable by the Group for its offices and retail shops premises. Leases are mainly negotiated for an average terms of two to five 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.

32 RETIREMENT BENEFIT SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of HK$1,500 per month, as appropriate, as defined in the Mandatory Provident Fund Ordinance, and thereafter contributions are voluntary.

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.

The Group participates in a retirement scheme for qualified employees of its subsidiary in Canada. Under the retirement scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the relevant income (comprising wages and salaries) at maximum. The monthly contributions of each of the employer and the employee are subject to a cap of CAD 2,544 (equivalent to approximately HK$16,000). The Group has no further obligations for post-retirement benefits beyond the contributions.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash used in operations:

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation	**(99,415)**	(43,141)
Adjustments for:		
Amortisation of other intangible assets	**6,986**	684
Depreciation of property, plant and equipment	**4,895**	11,839
(Gain)/loss on disposal of property, plant and equipment	**(1,103)**	998
Fair value loss in respect of financial assets at fair value through profit or loss	**346**	443
Impairment loss recognised in respect of trade receivables	**—**	738
Impairment loss recognised in respect of property, plant and equipment	**—**	16,792
Impairment loss recognised in respect of deposits, prepayments and other receivables	**—**	5,717
Interest expenses *(Note 9)*	**6**	198
Interest income *(Note 6)*	**(1,354)**	(90)
Write-off of property, plant and equipment	**145**	74
Write-off of inventories	**—**	104
Provision for impairment of inventories	**445**	36
Equity-settled share-based compensation	**13,694**	—
Operating cash flows before movements in working capital	**(75,355)**	(5,608)
Changes in working capital:		
— Inventories	**(3,558)**	169
— Trade receivables	**(9,832)**	715
— Deposits, prepayments and other receivables	**(6,500)**	6,215
— Trade payables	**(576)**	786
— Accruals and other payables	**(6,219)**	(37,023)
— Deferred revenue	**3,887**	1,431
Cash used in operations	**(98,153)**	(33,315)

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2017	2016
	HK$'000	*HK$'000*
Net book amount *(Note 15)*	**649**	6,802
Gain/(loss) on disposal of property, plant and equipment *(Note 7)*	**1,103**	(998)
Waiver of other payables	**—**	(5,767)
Proceeds from disposal of property, plant and equipment	**1,752**	37

(c) Major non-cash transactions:

The cooperation agreement between Donica Connectivity, one of the subsidiaries of the Company and the Airline has been renewed on 24 October 2016 (the "2016 Cooperation Agreement").

During the year ended 31 December 2016, the Group disposed its 10 sets of WIFI equipment amounting HK$4,911,000 and deposits of approximately HK$3,495,000 to the Airline to set off against the outstanding payable of approximately HK$9,262,000 as a result of renewal of the cooperation agreement as mutually agreed by the parties involved.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) The following significant transactions were carried out with related parties:

		2017	2016
Name of parties	**Nature of transactions**	***HK$'000***	*HK$'000*
Shenzhen Donica *(Note i)*	Purchase of property, plant and equipment	**—**	—

Note:

(i) Shenzhen Donica is 41.98% (2016: 42.78%) owned by Mr. Cai Zhaoyang, the Executive Director and Chairman 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. Please refer to note 11(e) for details.

(b) Key management compensation

Key management personnel are the Company's executive directors. Details of compensation of key management personnel are disclosed in Note 11 to the consolidated financial statements.

35 PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Effective interest held (%) 2017	Effective interest held (%) 2016	Principal activities
Century Capital Holdings Limited	British Virgin Islands	US$1 (2016: US$1)	**100%**	100%	Investment holding
Century Finance (BVI) Limited	British Virgin Islands	US$1 (2016: US$1)	**100%**	100%	Investment holding
Century Finance Limited	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Investment holding
China Honest Enterprises Limited ("China Honest")	Hong Kong	HK$100 (2016: HK$100)	**51%**	51%	Marketing development, product distribution and customer support services
EDS (Asia) Limited	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Marketing development, product distribution and customer support services
EDS (China) Limited	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Investment holding
EDS Distribution Limited	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Marketing development, product distribution and customer support services
EDS International Holdings Limited	British Virgin Islands	US$1 (2016: US$1)	**100%**	100%	Investment holding
China SkyNet Limited	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Investment holding and investment in securities
Engineering Services Inc.	Canada	CAD12 (2016: CAD12)	**100%**	100%	Provision of engineering products and related services
Donica Connectivity@	The PRC	RMB50,000,000 (2016: RMB50,000,000)	**100%**	100%	Provision of engineering products and related services
Ace Force Holding Limited	British Virgin Islands	US$1 (2016: US$1)	**100%**	100%	Investment holding
安兆科技(深圳)有限公司@	The PRC	HK$25,000,000 (2016: HK$5,000,000)	**100%**	100%	Provision of engineering products and related services
ESI Robotics Limited (Formerly known as China Star Alliance Limited)	Hong Kong	HK$1 (2016: HK$1)	**100%**	100%	Dormant
Star Run Investments Limited	British Virgin Islands	US$1 (2016: US$1)	**100%**	100%	Investment holding
深圳市安澤智能工程有限公司	The PRC	RMB50,000,000 (2016: Nil)	**99%**	—	Provision of engineering products and related services
深圳市帝光實業有限公司	The PRC	RMB500,000 (2016: Nil)	**99%**	—	Investment holding
New Best Finance Limited	British Virgin Islands	US$1 (2016: Nil)	**100%**	—	Investment holding
Renaissance Surgical Inc.	Canada	CAD1 (2016: Nil)	**100%**	—	Dormant
Tritop Management Limited	British Virgin Islands	US$1 (2016: Nil)	**100%**	—	Investment holding

@ Wholly-owned foreign enterprise in the PRC

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

35 PARTICULARS OF SUBSIDIARIES *(continued)*

Material non-controlling interests

As at 31 December 2017, the total non-controlling interests represents the following interests:

	2017	2016
	HK$'000	*HK$'000*
China Honest	**2,251**	308
Anzer	**(1)**	—
	2,250	308

Set out below are the summarised financial information for China Honest that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	2017	2016
	HK$'000	*HK$'000*
Current assets	**41,988**	32,569
Non-current assets	**4,993**	7,168
Current liabilities	**(42,387)**	(39,108)
Equity attributable to owners of the Company	**2,343**	321
Non-controlling interests	**2,251**	308

35 PARTICULARS OF SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of comprehensive income

	2017	2016
	HK$'000	*HK$'000*
Revenue	**46,234**	46,667
Profit for the year	**3,965**	2,445
Profit attributable to owners of the Company	**2,022**	1,247
Profit attributable to the non-controlling interests	**1,943**	1,198
Profit for the year	**3,965**	2,445
Other comprehensive income attributable to owners of the Company	**—**	—
Other comprehensive income to the non-controlling interests	**—**	—
Other comprehensive income during the year	**—**	—
Total comprehensive income attributable to owners of the Company	**2,022**	1,247
Total comprehensive income to the non-controlling interests	**1,943**	1,198
Total comprehensive income	**3,965**	2,445
Dividend paid to non-controlling interests	**—**	1,715

Summarised cash flows

	2017	2016
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**10,845**	4,931
Net cash outflow from investing activities	**(197)**	(3,064)
Net cash outflow from financing activities	**—**	(3,500)
Net cash inflow/(outflow)	**10,648**	(1,633)

FINANCIAL SUMMARY

	For the twelve months ended 31 December			For the six months ended 31 December	For the twelve months ended 30 June
	2017	2016	2015	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**78,799**	61,521	46,989	22,084	27,582
Profit/(loss) for the year/period attributable to:					
– Owners of the Company	**(99,059)**	(44,946)	(42,086)	(48,939)	(11,768)
– Non-controlling interests	**1,948**	1,198	2,409	1,896	1,150
Assets and liabilities	**(97,111)**	(43,748)	(39,677)	(47,043)	(10,618)

	As at 31 December			As at 31 December	As at 30 June
	2017	2016	2015	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**383,289**	318,643	211,545	90,366	141,874
Total liabilities	**(65,472)**	(58,288)	(71,368)	(41,310)	(140,932)
Non-controlling interests	**(2,250)**	(308)	(825)	(3,757)	(1,861)
Equity attributable to owners of the Company	**315,567**	260,047	139,532	45,299	(919)