

# SkyNet Group Limited

(formerly known as EDS Wellness Holdings Limited)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8176)

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2016**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This report, for which the directors (the “**Directors**” and each, a “**Director**”) of SkyNet Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in This 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 report misleading.*

## INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Turnover	4	<b>11,590</b>	10,546	<b>24,701</b>	20,703
Cost of sales		<b>(16,103)</b>	(7,973)	<b>(44,503)</b>	(15,362)
Gross profit		<b>(4,513)</b>	2,573	<b>(19,802)</b>	5,341
Other revenue		<b>19</b>	100	<b>59</b>	142
Selling and distribution costs		<b>(906)</b>	(628)	<b>(1,656)</b>	(905)
Administrative expenses		<b>(9,539)</b>	(6,380)	<b>(18,431)</b>	(11,226)
Loss from operations	5	<b>(14,939)</b>	(4,335)	<b>(39,830)</b>	(6,648)
Finance costs	6	<b>(19)</b>	(236)	<b>(293)</b>	(462)
Loss before taxation		<b>(14,958)</b>	(4,571)	<b>(40,123)</b>	(7,110)
Income tax expense	7	<b>(178)</b>	(160)	<b>(415)</b>	(348)
Loss for the period		<b>(15,136)</b>	(4,731)	<b>(40,538)</b>	(7,458)
<b>Other comprehensive income/ (expenses) for the period</b>					
<b>Item that may be subsequently reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations		<b>(706)</b>	14	<b>(10)</b>	15
<b>Total comprehensive expenses for the period</b>		<b>(15,842)</b>	(4,717)	<b>(40,548)</b>	(7,443)

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Loss for the period attributable to:</b>				
<b>Owners of the Company</b>	(15,367)	(5,006)	(42,134)	(8,360)
<b>Non-controlling interests</b>	<u>231</u>	<u>275</u>	<u>1,596</u>	<u>902</u>
	<b><u>(15,136)</u></b>	<b><u>(4,731)</u></b>	<b><u>(40,538)</u></b>	<b><u>(7,458)</u></b>
<b>Total comprehensive expenses for the period attributable to:</b>				
<b>Owners of the Company</b>	(16,073)	(4,992)	(42,144)	(8,345)
<b>Non-controlling interests</b>	<u>231</u>	<u>275</u>	<u>1,596</u>	<u>902</u>
	<b><u>(15,842)</u></b>	<b><u>(4,717)</u></b>	<b><u>(40,548)</u></b>	<b><u>(7,443)</u></b>
<b>Loss per share</b>				
— Basic and diluted	<sup>9</sup> <b><u>HK(3.66) cents</u></b>	<b><u>HK(6.69) cents</u></b>	<b><u>HK(10.04) cents</u></b>	<b><u>HK(11.18) cents</u></b>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2015 <i>HK\$'000</i> (audited)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	<i>10</i>	<b>33,628</b>	25,801
Goodwill		<b>18,266</b>	18,266
		<b>51,894</b>	44,067
<b>Current assets</b>			
Inventories		<b>3,798</b>	2,954
Trade receivables	<i>11</i>	<b>4,535</b>	5,734
Deposits, prepayments and other receivables	<i>12</i>	<b>24,688</b>	30,078
Restricted bank deposits		<b>12,180</b>	12,657
Cash and cash equivalents		<b>107,895</b>	116,055
		<b>153,096</b>	167,478
<b>Total assets</b>		<b>204,990</b>	211,545
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital – ordinary shares	<i>13</i>	<b>41,980</b>	41,980
Share capital – preferred shares	<i>13</i>	<b>3,000</b>	3,000
Reserves		<b>52,228</b>	94,372
<b>Equity attributable to owners of the Company</b>		<b>97,208</b>	139,352
Non-controlling interests		<b>2,421</b>	825
<b>Total equity</b>		<b>99,629</b>	140,177

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notes</i>	<b>(unaudited)</b>	(audited)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Amount due to a former director	—	64
Amount due to a related company	<b>1,051</b>	16,286
Trade payables	<i>14</i> <b>655</b>	179
Accruals and other payables	<b>67,395</b>	17,006
Other borrowings	<i>15</i> <b>3,600</b>	6,271
Tax payables	—	2,487
Deposits from customers	—	23
Deferred revenue	<b>24,386</b>	24,712
Obligations under financial leases	<b>8,274</b>	4,338
	<u><b>105,361</b></u>	<u>71,366</u>
<b>Non-current liability</b>		
Obligations under finance leases	—	2
	<u>—</u>	<u>2</u>
<b>Total liabilities</b>	<u><b>105,361</b></u>	<u>71,368</u>
<b>Total equity and liabilities</b>	<u><b>204,990</b></u>	<u>211,545</u>
<b>Net current assets</b>	<u><b>47,735</b></u>	<u>96,112</u>
<b>Total assets less current liabilities</b>	<u><b>99,629</b></u>	<u>140,179</u>

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital — ordinary shares HK\$'000	Share capital — preferred shares HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016 (audited)	41,980	3,000	196,380	27,141	192	(129,341)	139,352	825	140,177
Loss for the period	—	—	—	—	—	(42,134)	(42,134)	1,596	(40,538)
Other comprehensive income for the period:									
Exchange differences on translating foreign operations	—	—	—	—	(10)	—	(10)	—	(10)
Total comprehensive expenses for the period	—	—	—	—	(10)	(42,134)	(42,144)	1,596	(40,548)
<b>At 30 June 2016 (unaudited)</b>	<b>41,980</b>	<b>3,000</b>	<b>196,380</b>	<b>27,141</b>	<b>182</b>	<b>(171,475)</b>	<b>97,208</b>	<b>2,421</b>	<b>99,629</b>
At 1 January 2015 (audited)	7,480	—	97,922	27,141	11	(87,255)	45,299	3,757	49,056
Loss for the period	—	—	—	—	—	(8,360)	(8,360)	902	(7,458)
Other comprehensive expenses for the period:									
Exchange differences on translating foreign operations	—	—	—	—	15	—	15	—	15
Total comprehensive expenses for the period	—	—	—	—	15	(8,360)	(8,345)	902	(7,443)
<b>At 30 June 2015 (unaudited)</b>	<b>7,480</b>	<b>—</b>	<b>97,922</b>	<b>27,141</b>	<b>26</b>	<b>(95,615)</b>	<b>36,954</b>	<b>4,659</b>	<b>41,613</b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	4,102	68,363
Net cash used in investing activities	(13,516)	(879)
Net cash generated/(used in) from financing activities	<u>1,263</u>	<u>(448)</u>
Net (decrease)/increase in cash and cash equivalents	(8,151)	67,036
Cash and cash equivalents at beginning of the period	116,055	26,553
Effects of foreign exchange rate changes	<u>(9)</u>	<u>15</u>
Cash and cash equivalents at end of the period	<u><u>107,895</u></u>	<u><u>93,604</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and on hand	107,895	93,604
Restricted bank deposits	<u>12,180</u>	<u>19,759</u>
	120,075	113,363
<i>Less:</i> restricted bank deposits	(12,180)	(19,759)
Cash and cash equivalents	<u><u>107,895</u></u>	<u><u>93,604</u></u>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company was deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange. Its ultimate holding company is Xing Hang Limited (“**Xing Hang**”), a company incorporated in the British Virgin Islands. The Company’s addresses of the registered office and the principal place of business in Hong Kong are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3811, 38/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

The unaudited condensed consolidated financial statements are presented in units of thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, which is the same as the functional currency of the Company.

The Company’s principal activity is investment holding and the principal activities of its principal subsidiaries are the sales of beauty products and provision of therapy services and provision of in-flight WLAN and WIFI engineering and services.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Int**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the year ended 31 December 2015.

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as “**new and revised HKFRSs**”). The Group has adopted the new and revised HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2016. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group’s unaudited results of operations and financial position.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the six months ended 30 June 2016.

### 3. OPERATING SEGMENTS

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

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

An analysis of the Group's reportable segment results, assets and liabilities and other selected financial information for the six months ended 30 June 2016 and 2015 by operating segments are as follows:

#### Six months ended 30 June 2016

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision of in-flight WLAN and WIFI engineering and services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Revenue</b>				
Segment revenue from external customers	2,146	22,555	—	24,701
<b>Results</b>				
Segment profit/(loss)	1	7,041	(33,771)	(26,729)
Unallocated corporate expense				(13,160)
Interest income on bank deposits				23
Other income				36
Finance costs				(293)
Loss before taxation				(40,123)
Income tax expense				(415)
Loss for the period				<u>40,538</u>

At 30 June 2016

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision of in-flight WLAN and WIFI engineering and services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Assets</b>				
Segment assets for reportable segments	2,010	9,510	91,184	102,704
Unallocated corporate assets				<u>102,286</u>
Consolidated total assets				<u><u>204,990</u></u>
<b>Liabilities</b>				
Segment liabilities for reportable segments	—	25,176	13,541	38,717
Unallocated corporate liabilities				<u>66,644</u>
Consolidated total liabilities				<u><u>105,361</u></u>

For six months ended 30 June 2016

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision of in-flight WLAN and WIFI engineering and services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Amounts included in the measure of segment (loss)/profit and segment assets</b>					
Additions to property, plant and equipment	—	1,719	11,882	621	14,222
Depreciation of property, plant and equipment	—	770	2,960	942	4,672
Written off property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,723</u>	<u>1,723</u>

**Six months ended 30 June 2015**

	Sale of Provision beauty of therapy products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Revenue</b>			
Segment revenue from external customers	2,124	18,579	20,703
<b>Results</b>			
Segment (loss)/profit	(126)	4,562	4,436
Interest income on bank deposits			129
Unallocated corporate income			1
Unallocated corporate expenses			(11,226)
Gain on disposal of property, plant and equipment			12
Imputed interest on promissory notes			(351)
Finance costs			(111)
Loss before taxation			(7,110)
Income tax expense			(348)
Loss for the period			(7,458)

**At 31 December 2015**

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

**Six months ended 30 June 2015**

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Amounts included in the measure of segment profit and segment assets</b>				
Additions to property, plant and equipment	—	533	520	1,053
Depreciation of property, plant and equipment	—	960	1,393	2,353
Gain on disposal of property, plant and equipment	<u>—</u>	<u>12</u>	<u>—</u>	<u><u>12</u></u>

## Geographical information

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

	Continuing operations Revenue from external customers		Continuing operations Non-current assets	
	For the six months ended 30 June 2016 <i>HK\$'000</i> (unaudited)	For the six months ended 30 June 2015 <i>HK\$'000</i> (unaudited)	For the six months ended 30 June 2016 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2015 <i>HK\$'000</i> (audited)
Hong Kong	24,701	20,703	25,139	26,344
PRC	—	—	26,755	17,723
	<u>24,701</u>	<u>20,703</u>	<u>51,894</u>	<u>44,067</u>

## 4. TURNOVER

	For the three months ended 30 June		For the six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Sale of beauty products	1,280	1,436	2,146	2,124
Provision of therapy services	10,310	9,110	22,555	18,579
	<u>11,590</u>	<u>10,546</u>	<u>24,701</u>	<u>20,703</u>

## 5. LOSS FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Loss from operations has been arrived at after charging:				
Depreciation on property, plant and equipment	2,227	1,181	4,672	2,353
Operating lease rentals in respect of rented premises	2,083	1,644	3,287	3,148
Staff costs including directors' emoluments				
— salaries and other allowances	5,559	6,030	11,647	10,750
— contributions to retirement benefits scheme	301	772	537	913
	<u>301</u>	<u>772</u>	<u>537</u>	<u>913</u>

## 6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Imputed interest on promissory notes	—	176	—	351
Interest on finance leases	19	21	170	43
Interest on other borrowings wholly payable within 5 years	—	39	123	68
	<u>19</u>	<u>236</u>	<u>293</u>	<u>462</u>

## 7. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax expense				
— Hong Kong Profits Tax	(178)	(160)	(415)	(348)
Deferred tax credit	—	—	—	—
	<u>(178)</u>	<u>(160)</u>	<u>(415)</u>	<u>(348)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2016 (six months ended 30 June 2015: 16.5%).

The Group's subsidiaries set up in the People's Republic of China (the "PRC") are subjected to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%). No provision for the PRC Enterprise Income Tax has been made for the six months ended 30 June 2016 as the PRC subsidiaries have no assessable profit (six months ended 30 June 2015: Nil).

## 8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 9. LOSS PER SHARE

	For the three months ended 30 June		For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	<u>15,367</u>	<u>5,006</u>	<u>42,134</u>	<u>8,360</u>
	<b>Number of ordinary shares</b>			
	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)
Weighted average number of shares for the purpose of basic and diluted loss per shares	<u>419,803</u>	<u>74,803</u>	<u>419,803</u>	<u>74,803</u>



Diluted loss per share for the three months ended and six months ended 30 June 2016 and 2015 were the same as the basic loss per share as there were no dilutive event.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired certain items of property, plant and equipment in an aggregate cost of approximately HK\$14,222,000 (six months ended 30 June 2015: HK\$1,053,000).

## 11. TRADE RECEIVABLES

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews. The Group allows credit period ranging from 0 day to 120 days to its customers. Details of the ageing analysis of trade receivables that are not considered to be impaired and based on the invoice dates are as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 30 days	2,693	4,022
31 – 60 days	932	1,565
61 – 90 days	170	147
91 – 120 days	740	—
	<u>4,535</u>	<u>5,734</u>

## 12. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Deposits paid ( <i>Note a</i> )	11,574	15,667
Prepayments	1,808	2,798
Other receivables, net of impairment ( <i>Note b</i> )	11,306	11,613
	<u>24,688</u>	<u>30,078</u>

*Note:*

- (a) On 16 December 2015, 深圳多尼卡互聯技術有限公司 (Donica Connectivity Technology Co., Ltd.\*) (“**Donica Connectivity**”), an indirect wholly-owned subsidiary of the Company, entered into the finance lease agreement with the lessor to lease certain connecting devices which facilitate passengers to access the information and entertainment contents through the in-flight WLAN or WIFI connection equipment (the “**Equipment**”). The Equipment was guaranteed by the amount of approximately HK\$12,752,000, which provided by Century Finance Limited (“**Century Finance**”), an indirect wholly-owned subsidiary of the Company. Details of the transaction are set out in the Company’s announcement dated 16 December 2015.
- (b) On 30 April 2010, Blu Spa (Hong Kong) Limited (“**BSHK**”) entered into a sale and purchase agreement with Mr. Shum Yeung (“**Mr. Shum**”), pursuant to which BSHK had agreed to acquire (a) 70% of the entire issued share capital of an entity and (b) a shareholder’s loan to such entity at a total consideration of HK\$80,000,000.

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

\* for identification purpose only

### 13. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i> (unaudited)	<b>Amount</b> <i>HK\$'000</i> (unaudited)
<b>Ordinary shares of HK\$0.10 each (2015: HK\$0.10 each)</b>		
<i>Authorised:</i>		
At 31 December 2015 and 30 June 2016	<u>4,950,000</u>	<u>495,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2015 and 30 June 2016	<u>419,803</u>	<u>41,980</u>
<b>Preferred shares of HK\$0.10 each (2015: HK\$0.1 each)</b>		
<i>Authorised:</i>		
At 31 December 2015 and 30 June 2016	<u>50,000</u>	<u>5,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2015 and 30 June 2016	<u>30,000</u>	<u>3,000</u>

### 14. TRADE PAYABLES

The trade payables as at 30 June 2016 and 31 December 2015 are unsecured and payable within one year.

### 15. OTHER BORROWINGS

At 30 June 2016, non-interest bearing other borrowing with the amount of approximately HK\$3,600,000 was unsecured and repayable within one year.

At 31 December 2015, interest bearing other borrowings with the amount of approximately HK\$3,786,000 and HK\$2,485,000 were interest bearing at 5% and 10% per annum respectively, unsecured and repayable within one year. Both interest bearing other borrowings were fully repaid during the period under review.

## 16. COMMITMENTS

### The Group as lessee

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within one year	6,659	6,639
In the second to fifth year inclusive	<u>8,007</u>	<u>6,703</u>
	<u><u>14,666</u></u>	<u><u>13,342</u></u>

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

## 17. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had entered into the following material related party transactions:

Name of parties	Nature of transactions	For the six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Koffman Investment Limited ("Koffman Investment") (Note a)	Interest on other borrowings	49	53
Koffman Corporate Service Ltd ("Koffman Corporate") (Note b)	Rental expenses	—	240

Notes:

- (a) The issued share capital of Koffman Investment is 50% owned by Mr. Yu Zhen Hua, Johnny, the current director of several subsidiaries of the Company and the former chairman of the board of directors of the Company. All interest bearing other borrowing from Koffman Investment has been fully repaid on 31 March 2016.
- (b) Mr. Yu Zhen Hua, Johnny, the current director of several subsidiaries of the Company and the former chairman of the board of directors of the Company, is an ultimate beneficial owner of Koffman Corporate.

## Compensation for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees for the six months ended 30 June 2016 and 2015, is as follows:

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and allowances	444	850
Contributions to retirement benefits scheme	51	9
	<u>495</u>	<u>859</u>

## 18. LITIGATION AND CONTINGENT LIABILITIES

- (a) On 23 January 2015, the Company received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as plaintiff against the Company as defendant for the following claims:
- (i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary Judgement**”), pursuant to which the Court of First Instance of the High Court of Hong Kong (the “**Court of First Instance**”) adjudged that Mr. Shum (1) do pay the Company the sum of HK\$39,128,000 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s.48 of High Court Ordinance until payment; and (2) shall pay the Company the costs of the action including the costs of and occasioned by the Company's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;
  - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgement being obtained against him;
  - (iii) an order for discovery upon oath of all matters relating to the Summary Judgement;
  - (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
  - (v) the costs; and
  - (vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to High Court Action No. 200 of 2015 to claim against the Company for: (i) the Summary Judgement be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgement against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgement; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, the Company filed a defence to refute the statement of claim in that action on the basis, among others, that (i) Mr. Shum was bound by the Summary Judgement; and (ii) the Company denied the allegations raised against the Company by Mr. Shum in the statement of claim. Furthermore, on 10 December 2015, the Company filed an inter parties summons for an application to strike out the writ of Summons and statement of claim filed by Mr. Shum in that action. A substantive hearing of such application has been fixed to be held on 8 June 2016 (the “**Hearing**”). During the Hearing, the court allowed the Company’s application and struck out Mr. Shum’s action with an order for costs and a certificate for two counsel. The court further ordered that the amount of HK\$47,767,709.60, being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgment paid into court by Mr. Shum on 5 November 2015, be paid out to the Company’s solicitors (the “**8 June 2016 Order**”).

On 16 June 2016, the Company received a notice of appeal filed by Mr. Shum as appellant in the Court of Appeal of the High Court of Hong Kong (the “**Court of Appeal**”) (on appeal from HCA No. 200 of 2015), pursuant to which Mr. Shum requested that: (i) to appeal against the 8 June 2016 Order; (ii) the Court of Appeal to order that the 8 June 2016 Order may be set aside and that the Company’s solicitor do pay back the amount of HK\$47,767,709.60 into Court; and (iii) the Court of Appeal to order that the Company do pay Mr. Shum the costs of the appeal. A substantive hearing of such appeal has been fixed to be held on 10 January 2017.

## **19. EVENTS AFTER REPORTING PERIOD**

There is no material subsequent event after the end of reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group is principally engaged in the sales of beauty products and provision of therapy services (collectively, the “**Beauty Business**”), as well as the provision of in-flight WLAN and WIFI engineering and services (the “**WIFI Business**”). For the sales 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, Hong Kong. For the WIFI Business, the Group plans to source and enter into contracts with airline companies to provide them with in-flight WLAN and WIFI engineering and services, including the provision of WLAN and WIFI equipment and technical support for installation. Depending on the mode of cooperation with the airline companies, the Group may or may not charge the airline companies for the provision of WLAN or WIFI equipment to them but may earn/share any income from the use of the WLAN or WIFI systems for advertising or shopping on the airplanes. In addition to the People’s Republic of China (the “**PRC**”), the Group has also appointed a sales representative in Singapore which will target airline companies in South-East Asia.

The Group entered into the Cooperation Agreement with an airline company (the “**Airline**”) on 3 December 2015, pursuant to which the Group has agreed to provide and install in-flight WLAN and WIFI connection equipment in an agreed number of the Airline’s aircraft in return for sharing certain income generated from the use of the in-flight WLAN and WIFI connection equipment by passengers with a guaranteed minimum payment to the Airline. For the period under review, the Group has completed the installation of in-flight WLAN and WIFI equipment on the contracted aircrafts and is still in the process of developing its own software platform and applying for certifications and approvals which are necessary for the Group to engage in in-flight WLAN and WIFI connection equipment design and manufacturing business in the PRC. As such, a gross loss of HK\$33.8 million have been recognised for provision of the WIFI Business for the six months ended 30 June 2016.

Despite facing an adverse macro-economic conditions in Hong Kong, the performance of the Beauty Business as a whole has met the expectation of the Board. During the period under review, the Group continued to provide deep retail discounts and focused to sales as high volume but low cost wholesales for the beauty products under the brand name “Evidens de Beauté”. Furthermore, the Group adhered to the measure of reducing fixed overheads and did not renew the tenancy agreement of the beauty centre at Lyndhust Terrace upon its expiration on 31 March 2016. Consequently, comparing with the corresponding period in 2015, the gross loss incurred from the operation under the brand name “Evidens de Beauté” has been improved by 86.87% for the six months ended 30 June 2016.

## Financial review

During the period under review, the Group recorded a turnover of approximately HK\$24.7 million, representing an increase of approximately 19.3% as compared with the corresponding period in 2015, of which approximately HK\$2.1 million (2015: approximately HK\$2.1 million) and approximately HK\$22.6 million (2015: approximately HK\$18.6 million) were generated from the sales of beauty products and provision of therapy services respectively. China Honest Enterprises Limited (“**China Honest**”), a 51% owned subsidiary of the Company, was the major revenue contributor of the Group.

During the period under review, China Honest contributed approximately HK\$23.1 million (2015: approximately HK\$19.0 million) to the turnover of the Group, representing approximately 93.5% of the total turnover, of which approximately HK\$0.6 million (2015: approximately HK\$0.8 million) and HK\$22.5 million (2015: approximately HK\$18.2 million) were generated from the sales of beauty products and provision of therapy services respectively. The revenue generated from the sales of beauty products and provision of therapy services under the brand name “Evidens de Beauté” were approximately HK\$1.5 million (2015: approximately HK\$1.3 million) and approximately HK\$0.1 million (2015: approximately HK\$0.4 million) respectively.

The negative gross margin was approximately 80.2% (2015: positive gross margin of approximately 25.8%). China Honest contributed gross profit of approximately HK\$8.1 million to the Group, while the operations under the brand name “Evidens de Beauté” recorded a gross loss of approximately HK\$0.1 million. The negative gross margin is mainly due to the gross loss of HK\$27.9 million incurred by the WIFI Business as the Group is still in the process of developing its own software platform.

Other income of approximately HK\$0.1 million (2015: approximately HK\$0.1 million) was mainly contributed by the interest income on bank deposits.

The selling and distribution costs was approximately HK\$1.7 million for the six months ended 30 June 2016 (2015: approximately HK\$0.9 million), representing an increase of 88.9% over the corresponding period in 2015. Such increase was mainly attributed to the advertising and promotion expenses of approximately HK\$1.0 million and approximately HK\$0.7 million incurred by the Beauty Business and the WIFI Business respectively during the period under review.

The administrative expenses was approximately HK\$18.4 million for the six months ended 30 June 2016 (2015: approximately HK\$11.2 million), representing an increase of 64.3% over the last corresponding period. Such increase was mainly attributed to (i) increase in legal and professional fee of approximately HK\$3.2 million; (ii) increase in staff costs of approximately HK\$0.5 million due to increase in number of staff relating to the WIFI Business; (iii) increase in travelling expense of approximately HK\$1.3 million from the WIFI Business; and (iv) increase in written off plant and equipment of approximately HK\$1.7 million.

The finance costs for the six months ended 30 June 2016 of approximately HK\$0.3 million (2015: approximately HK\$0.5 million) was mainly attributed to the loan interest expenses paid to Pure Profit Holdings Limited of approximately HK\$0.2 million.



The consolidated loss attributable to owners of the Company amounted to approximately HK\$42.1 million for the six months ended 30 June 2016 (2015: approximately HK\$8.4 million). Such loss was mainly attributed to the loss incurred by the WIFI Business.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group had total assets of approximately HK\$205.0 million (31 December 2015: approximately HK\$211.5 million), including cash and cash equivalents of approximately HK\$107.9 million (31 December 2015: approximately HK\$116.1 million).

During the period under review, the Group financed its operation with internally generated cash flows and proceeds from the issuance of the subscription shares under the subscription agreement entered into by the Company on 17 February 2015.

## **USE OF PROCEEDS FROM ISSUANCE OF SUBSCRIPTION SHARES**

As at 30 June 2016, the Group has utilized approximately HK\$102.6 million out of the fund raised from issuance of subscription shares. The use of proceeds from the subscription are mainly attributable to purchase of property, plant and equipment of approximately HK\$30.0 million, operating expense and development costs of approximately HK\$58.6 million and legal and professional fees relating to the subscription of approximately HK\$14.0 million.

## **BORROWINGS**

At 30 June 2016, the total borrowings, including other borrowings and obligations under finance lease, of the Group amounted to approximately HK\$11.9 million (31 December 2015: approximately HK\$10.6 million), representing:

- (i) the obligations under finance leases of approximately HK\$8.3 million, which is interest bearing at 1.2% per annum and secured by a deposit from Century Finance Limited and the Group's title to the leased assets; and
- (ii) a loan of approximately HK\$3.6 million advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the current director of several subsidiaries of the Company and the former chairman of the board of directors of the Company), which is non-interest bearing, unsecured and repayable within one year.

## **SHARE CAPITAL**

During the six months ended 30 June 2016, there was no movement in the Company's issued share capital.

## **GEARING RATIO**

The gearing ratio, expressed as percentage of total borrowings over total assets, was approximately 5.8% for the six months ended 30 June 2016 (31 December 2015: approximately 5.0%). The increase in gearing ratio is mainly due to increase in obligations under finance lease of approximately HK\$3.9 million.

## **PLEDGED OF ASSETS**

As at 30 June 2016, the Group's restricted bank deposits of approximately HK\$12.2 million (as at 31 December 2015: approximately HK\$12.7 million) were deposits held at banks in respect of credit card and instalment sales arrangement of its sale of beauty products and provision of therapy services business.

## **FOREIGN EXCHANGE RISK**

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

## **COMMITMENTS**

As at 30 June 2016, the Group had operating lease commitments and capital commitments of approximately HK\$14.7 million (as at 31 December 2015: approximately HK\$13.3 million) and approximately HK\$Nil (as at 31 December 2015: HK\$8.3 million), respectively.

## **EMPLOYEES**

At 30 June 2016, the Group had 90 employees. Total staff costs for the period ended 30 June 2016 amounted to approximately HK\$12.2 million (for the six months ended 30 June 2015: approximately HK\$11.7 million). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme and the employees in the PRC joined the national statutory social security insurance scheme.

## **SINGIFICANT INVESTMENT**

The Group did not enter into any new significant investment during the six months ended 30 June 2016.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES**

There is no material acquisition and disposal of subsidiaries associates and affiliated companies during the six months ended 30 June 2016.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this report, the Group does not have any concrete plan for material investments or capital assets for the coming year.

## **OUTLOOK**

The in-flight WIFI service business in the PRC are still at the start-up stage. State-owned Chinese airlines have started in-flight WIFI service trials but such in-flight WIFI services have not yet been put into mass commercial use. With the increasing number of flights and internet users in the PRC, the Company believes that there will be a considerable demand of in-flight WIFI services. WIFI connection and telecommunication have become a trend in ground-air connectivity for European and American airlines in recent years. The European Union has already approved in-flight cell phone calls, SMS, and email services in its airspace. Various countries are paying increasing attention to this market.

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

Most analysts have projected that the economy in both the PRC and Hong Kong in the coming year would show an unsteady and slowdown growth and that the outlook is gloomy. The Directors do not expect any significant growth in the Group's sales of beauty products and provision of therapy services in 2016. In addition, the management will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions.

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

As at 30 June 2016, the interests and short positions of the Directors or the 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 the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions

7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

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

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

#### Notes:

1. “L” represents long position in shares or underlying shares of the Company and “S” represents short position in shares or underlying shares of the Company.
2. Xing Hang Limited (“**Xing Hang**”) is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie, which in turn directly holds long positions in 427,504,349 shares of the Company and short positions in 179,921,200 shares of the Company. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 427,504,349 shares and short positions in 179,921,200 shares of the Company.
3. As at 30 June 2016, Xing Hang held 179,925,549 shares of the Company and was deemed to be interested in an aggregate of 247,578,800 shares of the Company (comprising 217,578,800 ordinary shares and 30,000,000 preferred shares of the Company) held by High Aim Global Limited (“**High Aim**”), Goldenland, Silver Empire Holding Limited (“**Silver Empire**”), Truly Elite Limited (“**Truly Elite**”), First Bonus International Limited (“**First Bonus**”) and Eternity Investment Limited (“**Eternity**”) under Sections 317 and 318 of the SFO. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 427,504,349 shares of the Company.
4. Pursuant to a term loan agreement (the “**Term Loan Agreement**”) entered into between Xing Hang (as borrower) and Success Far Holdings Limited (“**Success Far**”) (as lender) on 17 February 2015, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as 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.
5. The percentage is calculated on the basis of 419,803,000 shares of the Company in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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.

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

As at 30 June 2016, so far as is known to the Directors and the chief executive 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 of the Company as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

### **Interests and short positions in the ordinary shares or underlying ordinary shares of the Company**

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

Name of shareholder	Nature of interests	Notes	Interest in	Interest in	Total interest	Approximate
			shares of the Company	underlying shares of the Company	in shares of the Company	percentage of shareholding
			(Note 1)	(Note 1)	(Note 1)	(Notes 1 and 13)
Liu Xiaolin	Interest of controlled corporation and concert party agreement	9	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Truly Elite	Beneficial owner and concert party agreement	10	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Yeung Heung Yeung	Interest of controlled corporation and concert party agreement	10	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
High Aim	Beneficial owner and concert party agreement	11	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Ko Chun Shun, Johnson	Interest of controlled corporation and concert party agreement	11	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
First Bonus	Beneficial owner and concert party agreement	12	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Reorient Limited	Interest of controlled corporation and concert party agreement	12	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
REORIENT Group Limited	Interest of controlled corporation and concert party agreement	12	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)

*Notes:*

1. “L” represents long position in shares or underlying shares of the Company and “S” represents short position in shares or underlying shares of the Company.
2. On 17 February 2015, the Company and the Subscribers, namely Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus entered into the Subscription Agreement pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 375,000,000 Subscription Shares of the Company, comprising 345,000,000 Ordinary Subscription Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK\$0.4 per Subscription Share.
3. Upon completion of the Subscription on 6 November 2015, Xing Hang became the controlling shareholder (as defined under the GEM Listing Rules) of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang made an unconditional mandatory cash offer (the “Offer”). Kingston Securities Limited (“**Kingston Securities**”) made the Offer on behalf of Xing Hang to acquire all the issued shares of the Company at an offer price of HK\$4.07 per offer share (other than the Excluded Shares (as defined below)). The Offer was closed on 11 December 2015 and Xing Hang had received valid acceptances in respect of a total of 4,349 offer shares under the Offer.

4. Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus are considered concert parties with Xing Hang. Eternity, being the controlling shareholder (as defined under the GEM Listing Rules) of the Company prior to the completion of the Subscription, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 shares of the Company held by Eternity (the **“Excluded Shares”**) (the **“Lock-Up Undertaking”**) and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after completion of the Subscription or during the period which Eternity remains directly or indirectly interested in 22,490,150 shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the conversion shares in accordance with the terms of the Preferred Shares and that there is no other change in the number of shares in issue)) or more (whichever period is shorter) (the **“Subscribers’ Lock-up Undertaking”**). In view of these undertakings entered into between Eternity and the Subscribers, Eternity is regarded as a concert party with the Subscribers.
5. New Cove Limited (**“New Cove”**) is interested in 52,500,000 shares of the Company. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 shares. In addition, as Eternity is considered a concert party with the Subscribers under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking. Eternity is deemed to be interested in the Subscription Shares. As such, Eternity is deemed to be interested in all the shares of the Company in which each of the Subscribers is or is deemed to be interested.
6. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Pursuant to the Subscription Agreement, Xing Hang subscribed for 179,921,200 Ordinary Subscription Shares. Pursuant to the Term Loan Agreement, a share charge has been given by Xing Hang in favour of Success Far over the 179,921,200 Ordinary Subscription Shares issued to Xing Hang under the Subscription. Accordingly, Xing Hang acquired a short position in respect of such 179,921,200 shares. Subsequently on 11 December 2015, Xing Hang further acquired a total of 4,349 shares of the Company upon completion of the Offer. As Xing Hang is a controlled corporation (as defined in Part XV of the SFO) of Mr. Cai Zhaoyang, Mr. Cai Zhaoyang is deemed to have acquired a short position in such 179,921,200 shares and is also deemed to be interested all the shares in which Xing Hang is or is deemed to be interested. Further, as Xing Hang is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, Xing Hang is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.
7. In accordance with the Term Loan Agreement entered into between Xing Hang and Success Far, which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim, pursuant to which Success Far provided a facility to Xing Hang and Xing Hang gave a share charge in favour of Success Far over the 179,921,200 Ordinary Subscription Shares issued to Xing Hang under the Subscription. As such, Success Far is deemed to be interested in the 179,921,200 shares of the Company.
8. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Accordingly, each of Mr. Liu Jin and Ms. Xue Siman is deemed to be interested in all the shares of the Company in which Goldenland is or is deemed to be interested. Pursuant to the Subscription Agreement, Goldenland subscribed for 45,396,178 Ordinary Subscription Shares. As Goldenland is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, Goldenland is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.

9. Silver Empire is wholly-owned by Genius Earn Limited (“**Genius Earn**”) which is in turn wholly-owned by Mr. Liu Xiaolin. Accordingly, Genius Earn is deemed to be interested in all the shares of the Company in which Silver Empire is or is deemed to be interested. Further, Mr. Liu Xiaolin is deemed to be interested in all the shares of the Company in which Genius Earn is or is deemed to be interested. Pursuant to the Subscription Agreement, Silver Empire subscribed for 37,861,665 Ordinary Subscription Shares. As Silver Empire is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, Silver Empire is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.
10. Truly Elite is wholly-owned by Mr. Yeung Heung Yeung. Accordingly, Mr. Yeung Heung Yeung is deemed to be interested in all the shares of the Company in which Truly Elite is or is deemed to be interested. Pursuant to the Subscription Agreement, Truly Elite subscribed for 41,628,921 Ordinary Subscription Shares. As Truly Elite is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, Truly Elite is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.
11. High Aim is wholly-owned by Mr. Ko Chun Shun, Johnson. Accordingly, Mr. Ko Chun Shun, Johnson is deemed to be interested in all the shares of the Company in which High Aim is or is deemed to be interested. Pursuant to the Subscription Agreement, High Aim subscribed for 26,697,946 Ordinary Subscription Shares and 30,000,000 Preferred Shares. As High Aim is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, High Aim is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.
12. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Accordingly, Reorient Limited is deemed to be interested in all the shares of the Company in which First Bonus is or is deemed to be interested. Further, REORIENT Group Limited is deemed to be interested in all the shares of the Company in which Reorient Limited is or is deemed to be interested. Mr. Ko Chun Shun, Johnson is an executive director and the controlling shareholder of REORIENT Group Limited. Accordingly, he is deemed to be interested in all the shares of the Company in which REORIENT Group Limited is or is deemed to be interested. Pursuant to the Subscription Agreement, First Bonus subscribed for 13,494,090 Ordinary Subscription Shares. As First Bonus is a concert party with the other Subscribers and with Eternity under Section 317 of the SFO in view of the Subscribers’ lock-Up Undertaking, First Bonus is deemed to be interested in all the shares of the Company in which each of the other Subscribers and Eternity is or is deemed to be interested.
13. The percentage is calculated on the basis of 419,803,000 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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) has 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.



## **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 on 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 six months ended 30 June 2016.

## **COMPETING INTERESTS**

As at 30 June 2016, none of the Directors, substantial shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant competition with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **AUDIT COMMITTEE**

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this 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 has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 and has provided advice and comments thereon.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

Save as disclosed below, during the period under review and up to the date of this 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 code provisions of the CG Code:

## **Insurance for potential legal actions against the Directors**

Code provision A.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance to cover potential legal actions against its directors. During the period under review, the Company is still arranging for appropriate liability insurance for the Directors for indemnifying their liabilities arising from corporate activities.

## **Chairman and Chief Executive**

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

By Order of the Board  
**SkyNet Group Limited**  
**Cai Zhaoyang**  
*Executive Director, Chairman and  
Chief Executive Officer*

Hong Kong, 11 August 2016

*As at the date of this report, the Board comprises three executive Directors, namely Mr. Cai Zhaoyang, Mr. Chan Kin Wah, Billy, and Mr. Lee Chan Wah; and three independent non-executive Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.*