SkyNet Group Limited
航空互聯集團有限公司

(formerly known as EDS Wellness Holdings Limited)

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

(Stock Code: 8176)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 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 announcement, 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 announcement 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 announcement misleading.*

This announcement, containing the full text of the 2016 First Quarterly Report of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company's 2016 First Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the GEM website at http://www.hkgem.com and the Company's website at http://www.skynetgroup.com.hk on 13 May 2016.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "**Board**") is pleased to announce the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

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

For the three months ended 31 March 2016

		(Unaudited) For the three months ended 31 March	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**13,111**	10,157
Cost of sales		**(26,248)**	(7,389)
Gross (loss)/profit		**(13,137)**	2,768
Other income	*4*	**40**	42
Selling and distribution costs		**(750)**	(277)
Administrative expenses		**(8,892)**	(4,846)
Loss from operations	*5*	**(22,739)**	(2,313)
Finance costs	*6*	**(274)**	(226)
Loss before taxation		**(23,013)**	(2,539)
Income tax expense	*8*	**(237)**	(188)
Loss for the period		**(23,250)**	(2,727)
Other comprehensive income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**696**	1
Other comprehensive income/(expenses) for the period		**696**	1
Total comprehensive expenses for the period		**(22,554)**	(2,726)

		(Unaudited) For the three months ended 31 March	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(24,615)**	(3,354)
Non-controlling interests		**1,365**	627
		(23,250)	(2,727)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(23,919)**	(3,353)
Non-controlling interests		**1,365**	627
		(22,554)	(2,726)
Loss per share *(HK cents)*	*9*		
Basic and diluted		**(5.8)**	(4.5)

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 the 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

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 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 three months ended 31 March 2016.

3. REVENUE

	(Unaudited) For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Sales of beauty products	**867**	688
Provision of therapy services	**12,244**	9,469
Provision of in-flight WLAN and WIFI engineering and services	**—**	—
	13,111	10,157

4. OTHER INCOME

	(Unaudited) For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Interest income on bank deposits	**31**	30
Gain on disposal of property, plant and equipment	**—**	12
Sundry income	**9**	—
	40	42

5. FINANCE COSTS

	(Unaudited) For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Imputed interest on promissory notes	**—**	175
Interest on other borrowings	**123**	29
Interest on finance leases	**151**	22
	274	226

6. LOSS FROM OPERATIONS

	(Unaudited) For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**2,214**	1,172
Staff costs including directors' emoluments		
— Salaries and other allowances	**7,877**	4,720
— Contributions to retirement benefit schemes	**238**	141
Operating lease rentals in respect of rental premises	**604**	1,504

7. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (2015: Nil).

8. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the three months ended 31 March 2016.

(ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the three months ended 31 March 2016 (2015: Nil).

(iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 March 2016 (2015: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31 March 2016 is based on the loss for the period of approximately HK$24,615,000 (2015: loss of approximately HK$3,354,000) and on the weighted average of 419,803,000 shares in issue during the three months ended 31 March 2016 (2015: 74,803,000 shares).

For the three months ended 31 March 2016, the computation of diluted loss per share does not assume the conversion of the Company's outstanding preferred share since their exercise would result in a decrease in loss per share.

Diluted loss per share for the three months ended 31 March 2015 was the same as the basic loss per share as there was no diluting event.

10. RESERVES

	Attributable to owners of the Company									
	Share capital-ordinary Shares	Share capital-preferred Shares	Share premium	Merger reserve	Contributed surplus	Translation reserve	Acc-umulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	—	—	—	—	—	—	(24,615)	(24,615)	1,365	(23,250)
Other comprehensive income for the period: Exchange differences on translating foreign operations	—	—	—	—	—	696	—	696	—	696
Total comprehensive expenses for the period	—	—	—	—		696	(24,615)	(23,919)	1,365	(22,554)
At 31 March 2016 (unaudited)	**41,980**	**3,000**	**196,380**	**—**	**27,141**	**888**	**(153,956)**	**115,433**	**2,190**	**117,623**
At 1 January 2015 (audited)	7,480	—	97,922	—	27,141	11	(87,255)	45,299	3,757	49,056
Loss for the period	—	—	—	—	—	—	(3,354)	(3,354)	627	(2,727)
Other comprehensive expenses for the period: Exchange differences on translating foreign operations	—	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the period	—	—	—	—	—	1	(3,354)	(3,353)	627	(2,726)
At 31 March 2015 (unaudited)	7,480	—	97,922	—	27,141	12	(90,609)	41,946	4,384	46,330

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.

For the period under review, the WIFI Business was still at its start-up stage. The Group has been developing its own software platform and applying for certifications and approvals which are necessary for the Group to engage in inflight WLAN and WIFI communication equipment design and manufacturing business in the PRC. The Group entered into the Cooperation Agreement with an airline company (the "**Airline**") on 3 December 2015, pursuant to which the Group has agreed to provide and install inflight WLAN and WIFI connection equipment in an agreed number of the Airline's aircraft in return for sharing certain income generated from the use of the in-flight WLAN and WIFI connection equipment by passengers with a guaranteed minimum payment to the Airline. As the Group is still in the process of installing in-flight WLAN and WIFI equipment on the contracted aircraft, a gross loss of HK$18.0 million have been recognised for the three months ended 31 March 2016. On 28 January 2016, the Central of Southern Regional Administration of the Civil Aviation Administration of China ("**CAAC**") granted the Parts Manufacturers Approval for in-flight WLAN equipment to Donica Connectivity Technology Co. Ltd., an indirect wholly-owned subsidiary of the Company.

For the period under review, the performance of the Beauty Business as a whole was not satisfactory. Since October 2015, the Group has ceased to provide therapy services at the beauty centre at Lyndhurst Terrace, Central, Hong Kong and thereafter no revenue of provision of therapy services was generated from the brand name "Evidens de Beauté" during the period under review. Nonetheless, comparing with the corresponding period in 2015, sales of beauty products generated from the brand name "Evidens de Beauté" has been increased by 39.7% after the Group has provided deep retail discounts and gradually transited the existing direct selling model to a high volume but low cost wholesale model. In addition, adhering to the measure of reducing fixed overheads, the net loss incurred from the operation under the brand name "Evidens de Beauté" has been improved by 54.0% for the three months ended 31 March 2016.

The Beauty Business contributed approximately HK$13.1 million to the total turnover of the Group for the three months ended 31 March 2016, of which approximately HK$12.2 million and HK$0.9 million were derived from the provision of therapy services and sales of beauty products respectively. The Beauty Business contributed gross profit of approximately HK$4.9 million to the Group, with a positive gross margin of 37.4%.

Financial Review

During the period under review, the Group recorded a turnover of approximately HK$13.1 million, representing an increase of approximately 28.4% as compared with the corresponding period in 2015, of which approximately HK$0.9 million (2015: approximately HK$0.7 million) and approximately HK$12.2 million (2015: approximately HK$9.5 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$12.5 million to the turnover of the Group, representing approximately 95.4% of the total turnover, of which approximately HK$0.3 million and HK$12.2 million were generated from the sales of beauty products and provision of therapy services respectively. The revenue generated from the sales of beauty products under the brand name "Evidens de Beauté" was approximately HK$0.6 million (2015: approximately HK$0.4 million). The Group did not operate from the provision of therapy services under the brand name "Evidens de Beauté" (2015: approximately HK$0.2 million).

The negative gross margin was approximately 100.2% (2015: positive gross margin of approximately 27.2%). China Honest contributed gross profit of approximately HK$5.1 million to the Group, while the operations under the brand name "Evidens de Beauté" recorded a gross loss of approximately HK0.2 million. The negative gross margin is mainly due to the loss incurred by the WIFI Business as the Group is still in the process of installing in-flight WLAN and WIFI equipment in the contracted aircrafts under the Corporative Agreement and developing its own software platform. The installation of the in-flight WLAN and WIFI equipment and development of software are expected to be completed in June 2016.

Other income of approximately HK$40,000 (2015: approximately HK$42,000) was mainly contributed by the interest income on bank deposits.

The selling and distribution costs was approximately HK$0.8 million for the three months ended 31 March 2016 (2015: approximately HK$0.3 million), representing an increase of 166.67% over the corresponding period in 2015. Such increase was mainly attributed to the advertising and promotion expenses of approximately HK$0.5 million and approximately HK$1 million incurred by the Beauty Business and the WIFI Business respectively during the period under review.

The administrative expenses was approximately HK$8.9 million for the three months ended 31 March 2016 (2015: approximately HK$4.8 million), representing an increase of 85.4% over the last corresponding period. Such increase was mainly attributed to (i) increase in legal and professional fee of approximately HK$1.5 million; (ii) increase in staff costs of approximately HK$1.7 million due to increase in number of staff relating to the WIFI Business; and (iii) increase in travelling expense of approximately HK$0.9 million from the WIFI Business.

The finance costs for the three months ended 31 March 2016 of approximately HK$0.3 million (2015: approximately HK$0.2 million) was mainly attributed to (i) the loan interest expenses paid to Koffman Investment Limited of approximately HK$50,000; (ii) the loan interest expenses paid to Pure Profit Holdings Limited of approximately HK$80,000; and (iii) the finance lease interest of approximately HK$0.2 million.

The consolidated loss attributable to owners of the Company amounted to approximately HK$24.6 million for the three months ended 31 March 2016 (2015: approximately HK$3.4 million). Such loss was mainly attributed to the loss incurred by the WIFI Business.

OUTLOOK

The Board does not expect any growth in the Group's sales of beauty products and provision of therapy services in 2016. As disclosed in the circular of the Company dated 7 October 2015 (the "**Circular**") in relation to, among other things, the Subscription (as defined in the Circular), the Board believes that the WIFI Business will provide the Group with a good opportunity to improve its financial position and liquidity and the development of the WIFI Business in a segment different from the existing business of the Group will diversify and broaden its revenue sources and improve its profitability in the long run.

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

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

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. It is reported that nearly all of the major American airlines now provide internet access for ground-air connectivity, with service charges ranging from USD5.00 to USD9.00 per hour.

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

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

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

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

CONTINGENT LIABILITY

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

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

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

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

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

(v) the cost; and

(vi) further or other relief.

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

EVENTS AFTER THE REPORTING PERIOD

Connected Transaction — Funding Agreement

On 8 April 2016, the Board announced that the Company had received letters from Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung, the joint and several liquidators (the "**Liquidators**") of Blu Spa (Hong Kong) Limited ("**BSHK**") to seek the Company's support of the Funding Agreement (as defined below).

According to such letters, on 6 April 2016, the Liquidators and Koffman Investment Limited ("**Koffman**") entered into a deed of agreement for funding (the "**Funding Agreement**"), in relation to the provision of funding (subject to a maximum funding of HK$20,000,000 (the "**Maximum Funding**")) by Koffman to the Liquidators to cover the professional fees of the Liquidators and the legal and professional fees which have been incurred and remain outstanding and to be incurred inclusive of disbursement for the purpose of pursuing the potential actions against the suppliers, former directors of BSHK, former directors of the Company and former auditors of BSHK in relation to, among others, fictitious and/or suspicious transactions and some other transactions involving over HK$270 million of payments made by BSHK to the suppliers and some other parties (the "**Potential Actions**") and to indemnify the Liquidators regarding any other order made against the Liquidators or their legal representatives in the Potential Actions including (without limitation) any damages or other payments ordered by the Courts of Hong Kong to be paid by the Liquidators arising out of or in connection with the Potential Actions or otherwise (the "**Adverse Orders**"). The indemnity to the Liquidators regarding any of the Adverse Orders shall not be subject to the limit of the Maximum Funding.

The Company, being a creditor of BSHK, intends to support the Funding Agreement and vote in favour of the Funding Agreement as creditor at creditors' meeting of BSHK, if any. On 8 April 2016, the Company indicated in the form of intent provided by the Liquidators that it supported the Funding Agreement.

Since Koffman is owned as to 50% by Mr. Yu Zhen Hua Johnny, a director of certain subsidiaries of the Company, Koffman is a connected person of the Company at the subsidiary level. The Company's indication that it supported the Funding Agreement and/or proposed voting in favour of the Funding Agreement by the Company at the creditors' meeting of BSHK, if any, will constitute a connected transaction between the Company and a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules.

Please refer to the announcement of the Company dated 8 April 2016 for details.

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

As at 31 March 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 is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie, which in turn directly holds long positions in 427,504,349 shares of the Company and short positions in 179,921,200 shares of the Company. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 427,504,349 shares and short positions in 179,921,200 shares of the Company.

3. As at 31 March 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 charger) in favour of Success Far (as chargee, pursuant to which 179,921,200 shares of the Company have been charged by Xing Hang to Success Far as security under the Term Loan Agreement). Accordingly, Xing Hang acquired short positions in respect of such 179,921,200 shares of the Company.

5. The percentage is calculated on the basis of 419,803,000 shares of the Company in issue as at 31 March 2016.

Save as disclosed above, as at 31 March 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 31 March 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 shares of the Company *(Note 1)*	Interest in underlying shares of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 13)*
Eternity	Interest of controlled corporation and concert party agreement	*5*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Xing Hang	Beneficial owner and concert party agreement	*6*	397,504,349(L)	30,000,000(L)	427,504,349(L)	101.83%(L)
			179,921,200(S)		179,921,200(S)	42.86%(S)

Name of shareholder	Nature of interests	Notes	Interest in shares of the Company *(Note 1)*	Interest in underlying shares of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 13)*
Success Far	Security interest	*7*	179,921,200(L)	—	179,921,200(L)	42.86%(L)
Goldenland	Beneficial owner and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Liu Jin	Interest of controlled corporation and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Xue Siman	Interest of controlled corporation and concert party agreement	*8*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Silver Empire	Beneficial owner and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Genius Earn	Interest of controlled corporation and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Liu Xiaolin	Interest of controlled corporation and concert party agreement	*9*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Truly Elite	Beneficial owner and concert party agreement	*10*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
Yeung Heung Yeung	Interest of controlled corporation and concert party agreement	*10*	397,500,000(L)	30,000,000(L)	427,500,000(L)	101.83%(L)
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 31 March 2016.

Save as disclosed above, as at 31 March 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.

COMPETING INTERESTS

As at 31 March 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.

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 announcement, 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.

The Company is looking for a suitable candidate to fill the vacancy in order to comply with the CG Code and Report.

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 three months ended 31 March 2016.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (for the three months ended 31 March 2015: Nil).

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 announcement, 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 first quarterly results of the Group for the three months ended 31 March 2016 and has provided advice and comments thereon.

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

Hong Kong, 13 May 2016

As at the date of this announcement, 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.

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