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SkyNet Group Limited
航空互聯集團有限公司

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

(Stock Code: 8176)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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.*

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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

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

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Turnover	4	35,228	11,590	46,942	24,701
Cost of sales		<u>(26,873)</u>	<u>(16,103)</u>	<u>(42,612)</u>	<u>(44,503)</u>
Gross profit/(loss)		8,355	(4,513)	4,330	(19,802)
Other revenue		251	19	2,064	59
Other losses, net		(770)	—	(1,683)	—
Selling and distribution costs		(1,630)	(906)	(2,816)	(1,656)
Administrative expenses		<u>(17,413)</u>	<u>(9,539)</u>	<u>(35,085)</u>	<u>(18,431)</u>
Loss from operations	5	(11,207)	(14,939)	(33,190)	(39,830)
Finance costs	6	<u>—</u>	<u>(19)</u>	<u>—</u>	<u>(293)</u>
Loss before taxation		(11,207)	(14,958)	(33,190)	(40,123)
Income tax expense	7	<u>(1,523)</u>	<u>(178)</u>	<u>(1,834)</u>	<u>(415)</u>
Loss for the period		(12,730)	(15,136)	(35,024)	(40,538)
Other comprehensive income/ (expenses) for the period					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		<u>(1,671)</u>	<u>(706)</u>	<u>319</u>	<u>(10)</u>
Total comprehensive expenses for the period		<u><u>(14,401)</u></u>	<u><u>(15,842)</u></u>	<u><u>(34,705)</u></u>	<u><u>(40,548)</u></u>

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period attributable to:				
Owners of the Company	(13,561)	(15,367)	(36,454)	(42,134)
Non-controlling interests	<u>831</u>	<u>231</u>	<u>1,430</u>	<u>1,596</u>
	<u>(12,730)</u>	<u>(15,136)</u>	<u>(35,024)</u>	<u>(40,538)</u>
Total comprehensive expenses for the period attributable to:				
Owners of the Company	(15,232)	(16,073)	(36,135)	(42,144)
Non-controlling interests	<u>831</u>	<u>231</u>	<u>1,430</u>	<u>1,596</u>
	<u>(14,401)</u>	<u>(15,842)</u>	<u>(34,705)</u>	<u>(40,548)</u>
Loss per share				
— Basic and diluted	⁹ <u>HK(2.98) cents</u>	<u>HK(3.66) cents</u>	<u>HK(8.01) cents</u>	<u>HK(10.04) cents</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	<i>10</i>	11,548	7,026
Intangible assets		124,057	127,166
Deposits	<i>11</i>	<u>—</u>	<u>1,479</u>
		135,605	<u>135,671</u>
Current assets			
Inventories		3,612	2,645
Tax recoverable		—	260
Trade receivables	<i>12</i>	27,973	4,312
Deposits, prepayments and other receivables	<i>11</i>	53,446	4,147
Financial assets at fair value through profit and loss		4,238	7,052
Restricted bank deposits		13,721	12,338
Cash and cash equivalents		<u>50,766</u>	<u>152,218</u>
		153,756	<u>182,972</u>
Total assets		<u>289,361</u>	<u>318,643</u>
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital – Ordinary shares	<i>13</i>	45,522	45,522
Share capital – Preferred shares	<i>13</i>	3,000	3,000
Reserves		<u>182,160</u>	<u>211,525</u>
		230,682	<u>260,047</u>
Non-controlling interests		<u>1,744</u>	<u>308</u>
Total equity		<u>232,426</u>	<u>260,355</u>

		At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
LIABILITIES			
Current liabilities			
Trade payables	<i>14</i>	11,150	965
Accruals and other payables		7,043	20,389
Other borrowings	<i>15</i>	1,568	1,960
Tax payables		1,356	277
Deferred revenue		27,266	26,143
Obligations under financial leases		—	2
		<u>48,383</u>	<u>49,736</u>
Non-current liability			
Deferred taxation		<u>8,552</u>	<u>8,552</u>
Total liabilities		<u><u>56,935</u></u>	<u><u>58,288</u></u>
Total equity and liabilities		<u><u>289,361</u></u>	<u><u>318,643</u></u>
Net current assets		<u><u>105,373</u></u>	<u><u>133,236</u></u>
Net assets		<u><u>232,426</u></u>	<u><u>260,355</u></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 2017

	Share Capital — ordinary shares <i>HK\$000</i>	Share Capital — preferred shares <i>HK\$000</i>	Share premium <i>HK\$000</i>	Contributed surplus <i>HK\$000</i>	Translation reserve <i>HK\$000</i>	Accumulated losses <i>HK\$000</i>	Share based payment reserve <i>HK\$000</i>	Sub- Total <i>HK\$000</i>	Non- Controlling interests <i>HK\$000</i>	Total equity <i>HK\$000</i>
At 1 January 2017 (audited)	45,522	3,000	359,013	27,141	(342)	(174,287)	—	260,047	308	260,355
Loss for the period	—	—	—	—	—	(36,454)	—	(36,454)	1,430	(35,024)
Other comprehensive expenses for the period:										
Exchange differences on translating foreign operations	—	—	—	—	319	—	—	319	6	325
Total comprehensive expenses for the period	—	—	—	—	319	(36,454)	—	(36,135)	1,436	(34,699)
Transactions with owners in their capacity as owners:										
Employee share option scheme										
Value of employee services	—	—	—	—	—	—	6,770	6,770	—	6,772
At 30 June 2017 (unaudited)	<u>45,522</u>	<u>3,000</u>	<u>359,013</u>	<u>27,141</u>	<u>(23)</u>	<u>(210,741)</u>	<u>6,770</u>	<u>230,682</u>	<u>1,744</u>	<u>232,426</u>
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 expenses 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)
At 30 June 2016 (unaudited)	<u>41,980</u>	<u>3,000</u>	<u>196,380</u>	<u>27,141</u>	<u>182</u>	<u>(171,475)</u>	<u>—</u>	<u>97,208</u>	<u>2,429</u>	<u>99,629</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(93,650)	4,102
Net cash used in investing activities	(8,256)	(13,516)
Net cash used in from financing activities	(394)	(1,263)
Net (decrease)/increase in cash and cash equivalents	(102,300)	(8,151)
Cash and cash equivalents at beginning of the period	152,218	116,055
Effects of foreign exchange rate changes	848	(9)
Cash and cash equivalents at end of the period	<u>50,766</u>	<u>107,895</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	50,766	107,895
Restricted bank deposits	13,721	12,180
	64,487	120,075
<i>Less:</i> restricted bank deposits	(13,721)	(12,180)
Cash and cash equivalents	<u>50,766</u>	<u>107,895</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 4702, 47/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, 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 (collectively the “**Beauty Business**”) and the provision of engineering products and related services (the “**Engineering Business**”).

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 2016.

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 2017. 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 2017.

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 engineering products and related services (*Note*)

Note:

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

An analysis of the Group's reportable segment results, assets and liabilities and other selected financial information for the six months ended 30 June 2017 and 2016 by operating segments are as follows:

Six months ended 30 June 2017

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision engineering products and related services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Revenue				
Segment revenue from external customers	2,317	22,459	22,166	46,942
Results				
Segment profit/(loss)	(223)	3,404	(29,908)	(26,727)
Unallocated corporate expense				(6,848)
Interest income on bank deposits				166
Financial assets at fair value through profit or loss – fair value losses				(1,683)
Other income				1,902
Finance costs				—
Loss before taxation				(33,190)
Income tax expense				(1,834)
Loss for the period				(35,024)

At 30 June 2017

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision engineering products and related services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Assets				
Segment assets for reportable segments	793	27,553	145,933	174,279
Unallocated corporate assets				<u>115,082</u>
Consolidated total assets				<u><u>289,361</u></u>
Liabilities				
Segment liabilities for reportable segments	61	27,330	14,414	41,805
Unallocated corporate liabilities				<u>15,130</u>
Consolidated total liabilities				<u><u>56,935</u></u>

For six months ended 30 June 2017

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision engineering products and related services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Amounts included in the measure of segment (loss)/profit and segment assets					
Additions to property, plant and equipment	—	—	2,068	965	3,033
Additions to other intangible assets	—	—	179	—	179
Amortisation of other intangible assets	—	—	3,967	—	3,967
Depreciation of property, plant and equipment	<u>—</u>	<u>682</u>	<u>453</u>	<u>863</u>	<u>1,998</u>

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 engineering products and related services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Revenue				
Segment revenue from external customers	2,146	22,555	—	24,701
Results				
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 31 December 2016

	Sale of beauty products <i>HK\$'000</i> (unaudited)	Provision of therapy services <i>HK\$'000</i> (unaudited)	Provision engineering products and related services <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Assets				
Segment assets for reportable segments	2,499	26,628	120,434	149,561
Unallocated corporate assets				<u>169,082</u>
Consolidated total assets				<u>318,643</u>
Liabilities				
Segment liabilities for reportable segments	23	27,000	22,071	49,094
Unallocated corporate liabilities				<u>9,194</u>
Consolidated total liabilities				<u>58,288</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 engineering and related services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Amounts included in the measure of segment (loss)/profit and segment assets					
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	—	—	—	1,723	1,723

Geographical information

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

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June 2017 <i>HK\$'000</i> (unaudited)	For the six months ended 30 June 2016 <i>HK\$'000</i> (unaudited)	For the six months ended 30 June 2017 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2016 <i>HK\$'000</i> (audited)
Hong Kong	24,776	24,701	22,830	25,673
Mainland China	22,166	—	4,665	960
Canada	—	—	108,110	109,038
	<u>46,942</u>	<u>24,501</u>	<u>135,605</u>	<u>135,671</u>

4. TURNOVER

	For the three months ended 30 June		For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Sale of beauty products	2,030	1,280	2,317	2,146
Provision of therapy services	11,032	10,310	22,459	22,555
Provision of engineering products and related services	22,166	—	22,166	—
	<u>35,228</u>	<u>11,590</u>	<u>46,942</u>	<u>24,701</u>

5. LOSS FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Loss from operations has been arrived at after charging:				
Depreciation on property, plant and equipment	1,206	2,227	1,998	4,672
Operating lease rentals in respect of rented premises	1,600	2,083	3,457	3,287
Staff costs including directors' emoluments				
— salaries and other allowances	4,289	5,559	7,517	11,647
— contributions to retirement benefits scheme	592	301	934	537
	<u>592</u>	<u>301</u>	<u>934</u>	<u>537</u>

6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Interest on finance leases	—	19	—	170
Interest on other borrowings	—	—	—	123
	<u>—</u>	<u>19</u>	<u>—</u>	<u>293</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired certain items of property, plant and equipment in an aggregate cost of approximately HK\$3,033,000 (six months ended 30 June 2016: HK\$14,222,000).

11. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Non-current assets		
Deposits	—	1,479
Current assets		
Deposits paid	1,411	194
Prepayments	40,352	1,320
Other receivables	258,826	249,776
<i>Less: Provision for impairment of other receivables</i>	(247,143)	(247,143)
	53,446	4,147
	53,446	5,626

12. 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 past due days are as follows:

	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Current	23,334	4,196
1 – 30 days	3,619	116
31 – 60 days	942	—
61 – 90 days	78	—
Over 90 days	707	707
	28,680	5,019
<i>Less: Provision for impairment of trade receivables</i>	(707)	(707)
	27,973	4,312

13. SHARE CAPITAL

	Number of shares '000 (unaudited)	Amount HK\$'000 (unaudited)
Ordinary shares of HK\$0.10 each (2016: HK\$0.10 each)		
<i>Authorised:</i>		
At 31 December 2016 and 30 June 2017	<u>4,950,000</u>	<u>495,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2016 and 30 June 2017	<u>455,220</u>	<u>45,522</u>
Preferred shares of HK\$0.10 each (2016: HK\$0.10 each)		
<i>Authorised:</i>		
At 31 December 2016 and 30 June 2017	<u>50,000</u>	<u>5,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2016 and 30 June 2017	<u>30,000</u>	<u>3,000</u>

14. TRADE PAYABLES

The trade payables as at 30 June 2017 and 31 December 2016 are unsecured and repayable within one year.

15. OTHER BORROWINGS

Other borrowings as at 30 June 2017 and 31 December 2016 are non-interest bearing, unsecured and repayable within one year.

16. COMMITMENTS

Lease commitment

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 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Within one year	11,651	9,137
In the second to fifth year inclusive	<u>4,996</u>	<u>6,058</u>
	<u><u>16,647</u></u>	<u><u>15,195</u></u>

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

Capital Commitment

The Group does not have significant capital commitment as at 30 June 2017 and 31 December 2016.

17. MATERIAL RELATED PARTY TRANSACTIONS

The Group did not have material related party transactions during the financial period ended 30 June 2017 and the financial year ended 31 December 2016.

Compensation for key management personnel

Remuneration for key management personnel, including amounts paid to the Directors and certain of the Company's highest paid employees for the six months ended 30 June 2017 and 2016, is as follows:

	For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Salaries and allowances	4,287	444
Contributions to retirement benefits scheme	<u>—</u>	<u>51</u>
	<u><u>4,287</u></u>	<u><u>495</u></u>

18. CONTINGENT LIABILITIES

The Group does not have significant contingent liability as at 30 June 2017.

19. EVENTS AFTER REPORTING PERIOD

- (1) On 20 July 2017, the Company announced that the Board had proposed to change the English name of the Company from “SkyNet Group Limited” to “SuperRobotics Limited” and adopt “超人智能有限公司” as the Chinese name of the Company to replace the existing Chinese name “航空互聯集團有限公司” (the “**Change of Company Name**”). The Change of Company Name is conditional upon the following conditions having been satisfied:
 - (a) the passing of a special resolution by the shareholders of the Company at the special general meeting (the “**SGM**”) approving the Change of Company Name; and
 - (b) the Registrar of Companies in Bermuda granting approval for the Change of Company Name.

A circular containing, among other matters, details of the proposed Change of Company Name, together with a notice of SGM and the related proxy form, are being prepared by the Company and will be despatched to the shareholder of the Company as soon as practicable.

- (2) On 4 August 2017, the Company announced that the conditions set out in the Subscription Agreement had been fulfilled and the Subscription had been completed on 4 August 2017 in accordance with the terms and conditions of the Subscription Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sale of beauty products and provision of therapy services (collectively, the “**Beauty Business**”), as well as the provision of engineering products and related service (the “**Engineering Business**”). For the sale of beauty products, the Group offers a variety of beauty products under the brand name “Evidens de Beauté”, and a variety of medical skincare products, including the brand “Activa”. For the provision of therapy services, the Group operates a medical skincare centre located at Soundwill Plaza in Causeway Bay. Facing adverse macro-economic conditions in Hong Kong, the Board does not expect any significant growth in the Beauty Business. For the engineering products, the Group offers WLAN and WIFI systems, and robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for WLAN and WIFI systems as well as robotics and automation systems. On 30 December 2016, the Group received a notice of termination from an airline company to terminate the cooperation agreement with the Group due to certain requirements stated in the cooperation agreement were not fulfilled. As announced on 23 January 2017, since the receipt of the mentioned notice, the Group had been communicating with the Airline for possible solution acceptable to both parties. Nevertheless no alternative solution was agreed. Hence the cooperation agreement was terminated. The Group will continue to explore other opportunities for its WLAN and WIFI systems and related services. The first batch of robotic products was proudly

delivered in last December. We are confident the first phase of mass production will start once the pilot phase is completed. Furthermore, in December 2016, the Group entered into a cooperative agreement with a local partner in the PRC to acquire the entire shareholding of Shenzhen Anzer Intelligent Engineering Co., Ltd. (“Anzer”) at a cash consideration of RMB500,000. Anzer is a company established in Shenzhen, the PRC and possesses its own facility qualified for robotic production. The acquisition was completed in February 2017. The acquisition of Anzer signifies the Group’s preliminary success with deployment in the two main platforms, namely overseas research and development as well as domestic industry transformation and production. Professional expertise as a competitive advantage was strengthened and the business scope was expanded through patents and professional standards of the overseas research and development platform; the technology transfer ability and potential for market development were strengthened by virtue of the domestic industry platform. Following the acquisition of Anzer, in addition to the development of their own technology and product advantages, the Group has taken an active role in strengthening specialized technology cooperation with other platforms whereas a strategic cooperation framework agreement was entered into with the Institute of Biomedical Engineering Research of the Chinese Academy of Medical Science in late February 2017. On 19 April 2017, the Group also entered into a strategic joint development framework agreement with 蘇州景昱醫療器械有限公司 (Suzhou Jingyu Medical Device Co. Ltd). Pursuant to the framework agreement, the parties agreed to jointly research and develop surgery assisting robots for the implantation of deep brain stimulation system with nuclear magnetic resonance apparatus.

During the financial period, the Group has stepped up its marketing efforts to promote robotic products. Within six short months, other than existing clients from the previous year, the Group has managed to secure new customers during the second quarter of the year for its robotic products and successfully delivered the products to its new customers.

Financial review

During the period under review, the Group recorded a turnover of approximately HK\$46.9 million, representing an increase of approximately 90.0% as compared with the corresponding period in 2016, of which approximately HK\$2.3 million (2016: approximately HK\$2.1 million), approximately HK\$22.4 million (2016: approximately HK\$22.6 million) and approximately HK\$22.2 million (2016: HK\$Nil) were generated from the sale of beauty products, provision of therapy services and sale of robotic products respectively.

The positive gross margin was approximately 9.2% (2016: negative gross margin of approximately 80.2%). There was no significant change in the gross margin of the Beauty Business. The improvement in gross margin was due to the decrease in gross loss from the Engineering Business as the Engineering Business only incurred a gross loss of HK\$5.0 million for the six months ended 30 June 2017 compared with a gross loss of HK\$27.9 million incurred for the six months ended 30 June 2016.

Other income of approximately HK\$2.1 million (2016: approximately HK\$59,000) was mainly contributed by the recovery of legal expense incurred for the lawsuits against Mr. Shum Yeung amounted to HK\$1.5 million.

Other losses of HK\$1.7 million is due to the change in fair value of investment in listed securities. There was no such investment in the corresponding period.

Selling and distribution costs were approximately HK\$2.8 million for the six months ended 30 June 2017 (2016: approximately HK\$1.7 million), representing an increase of 64.7% over the corresponding period in 2016. Such increase was mainly attributed to the advertising and promotion expenses of approximately HK\$2.0 million and approximately HK\$0.8 million incurred by the Beauty Business and the Engineering Business respectively during the period under review.

Administrative expenses were approximately HK\$35.0 million for the six months ended 30 June 2017 (2016: approximately HK\$18.4 million), representing an increase of 91% over the last corresponding period. Such increase was mainly attributed to the (i) amortisation of employee share option expense of HK\$6.8 million; (ii) increase in director's remuneration of HK\$3.9 million; (iii) increase in rental expense of HK\$2.8 million; and (iv) increase in staff cost of HK\$3.3 million.

Consolidated loss attributable to owners of the Company amounted to approximately HK\$36.3 million for the six months ended 30 June 2017 (2016: approximately HK\$42.1 million). The decrease in consolidated loss was mainly due to the decrease in gross loss incurred by the Engineering Business.

Share subscription under general mandate

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had total assets of approximately HK\$289.4 million (31 December 2016: approximately HK\$318.6 million), including cash and cash equivalents of approximately HK\$50.8 million (31 December 2016: approximately HK\$152.2 million).

USE OF PROCEEDS FROM ISSUANCE OF ORDINARY SHARES

Net proceeds from the Subscription which was completed on 6 November 2015 were HK\$135.0 million and, as at 30 June 2017, the Company had utilised approximately HK\$31.7 million for acquiring in-flight WIFI and connection equipment and approximately HK\$92.6 million for the development of the Engineering Business. The Company intends to apply the remaining balance of approximately HK\$10.7 million as general working capital.

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

BORROWINGS

As at 30 June 2017, the total borrowings of the Group amounted to approximately HK\$1.6 million (as at 31 December 2016: approximately HK\$1.9 million), representing a borrowing from Koffman Investment Limited, which is unsecured, non-interest bearing and repayable within one year.

SHARE CAPITAL

During the six months ended 30 June 2017, 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 0.5% as at 30 June 2017 (as at 31 December 2016: approximately 0.6%).

PLEDGE OF ASSETS

As at 30 June 2017, the Group's restricted bank deposits of approximately HK\$13.7 million (as at 31 December 2016: approximately HK\$12.3 million) were deposits held at banks in respect of credit card and instalment sales arrangement 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 2017, the Group had operating lease commitments of approximately HK\$16.6 million (as at 31 December 2016: approximately HK\$15.2 million).

EMPLOYEES

As at 30 June 2017, the Group had 155 employees. Total staff costs for the six months ended 30 June 2017 amounted to approximately HK\$24.4 million (for the six months ended 30 June 2016: approximately HK\$12.2 million). Their remuneration, promotion and salary are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme and the employees in the PRC joined the national statutory social security insurance scheme.

SIGNIFICANT INVESTMENT

The Group did not have any significant investment during the six months ended 30 June 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

There was no material acquisition and disposal of subsidiaries, associates and affiliated companies during the six months ended 30 June 2017.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As announced on 18 June 2017, the Group intended to apply HK\$50,000,000 out of the net proceeds of approximately HK\$130,000,000 from the Subscription for construction of production plants. Up to date of this announcement, the Group has not made any material capital commitment relating to the construction of production plant.

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

OUTLOOK

China's robotics research and development started in the 1970s whereas the robotics market reached RMB14 billion in 2016 with a 56% year-on-year growth in annual sales. The next few years would be a critical period of time for tremendous development in the Chinese robotics market, particularly the market of robotics which specialises in special services. The speed of robotics market growth would exceed 100% with 2017 witnessing approximately RMB20 billion in the whole robotics market, thereby creating tremendous potential for the Group's market development in the future. In the future, the Group would start with positioning itself in the three lines of business: police use, commercial use and civilian use according to market resources and the status of development,

and develop products in the three lines accordingly to cater to our clients' needs. Alongside placing emphasis on clients' requirements and the need of practical applications, the Group would incorporate its professional background in diverse fields so as to commit itself to producing customised robots and mechatronic solutions for clients across various fields and industries. The Group has obtained the Parts Manufacturers Approval (the "PMA") for inflight WLAN equipment and has completed the development of its own software platform and user interface for the use on the WLAN and WIFI system. However, phones and other electronic devices are prohibited on all flights of China's airlines, which hinders the development of WIFI. On 8 August, 2016, the Civil Aviation Administration of China ("CAAC") released a draft of Civil Aviation Law of the People's Republic of China for public opinions, which still prohibits using of phones and other electronic devices on airplanes. Therefore, the Board is optimistic yet prudent about the prospect of in-flight Internet access.

The directors do not expect any significant growth in the Group's Beauty Business.

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 2017, 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 and 3	179,925,549(L) 179,921,200(S)	— —	179,921,549(L) 179,921,200(S)	39.52%(L) 39.52%(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 65% by Mr. Cai Zhaoyang and directly holds long positions in 179,925,549 shares of the Company and short positions in 179,921,200 shares of the Company. Accordingly, Mr. Cai Zhaoyang is deemed to be interested in the long positions in 179,925,549 shares of the Company and short positions in 179,921,200 shares of the Company.
3. Pursuant to a term loan agreement (the “**Term Loan Agreement**”) entered into between Xing Hang (as borrower) and Success Far Holdings Limited (“**Success Far**”) (as lender) on 17 February 2015, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as charger) in favour of Success Far (as chargee), pursuant to which 179,921,200 shares of the Company had been charged by Xing Hang to Success Far as security under the Term Loan Agreement. Accordingly, Xing Hang acquired short positions in respect of such 179,921,200 shares of the Company.
4. The percentage is calculated on the basis of 455,219,666 shares of the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2017, 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 required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Name of shareholder	Nature of interests	Notes	Interest in shares of the Company (Note 1)	Interest in underlying shares of the Company (Note 1)	Total interest in shares of the Company (Note 1)	Approximate percentage of shareholding (Notes 1 and 7)
Xing Hang	Beneficial owner	2	179,925,549(L) 179,921,200(S)	—	179,925,549(L) 179,921,200(S)	39.52%(L) 39.52%(S)
Success Far	Security interest	2	179,921,200(L)	—	179,921,200(L)	39.52%(L)
Hong Kong Bridge Investments	Interest of controlled corporation	3	41,666,666(L)	—	41,666,666(L)	9.15%(L)
HKBridge Absolute	Beneficial owner	4	—	100,846,009(L)	100,846,009(L)	22.15%(L)
China HKBridge	Beneficial owner	3, 4	41,666,666(L)	100,846,009(L)	142,512,675(L)	31.30%(L)
High Aim	Beneficial owner	5	26,697,946(L)	30,000,000(L)	56,697,946(L)	12.46%(L)
Ko Chun Shun, Johnson	Interest of controlled corporation	5	26,697,946(L)	30,000,000(L)	56,697,946(L)	12.46%(L)
Tai Dong	Beneficial owner	6	38,473,590(L)	—	38,473,590(L)	8.45%(L)
Su Zhituan	Interest of controlled corporation	6	38,473,590(L)	—	38,473,590(L)	8.45%(L)

Notes:

- “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.
- Xing Hang is ultimately owned as to 65% by Mr. Cai Zhaoyang. Pursuant to the Term Loan Agreement, a deed of charge and assignment in relation to the 179,921,200 shares of the Company had been executed by Xing Hang (as charger) in favour of Success Far (as chargee), pursuant to which 179,921,200 shares of the Company had 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.
- Hong Kong Bridge Investments Limited (“**Hong Kong Bridge Investments**”) is interested in 41,666,666 shares of the Company. As Hong Kong Bridge Investments is a wholly-owned subsidiary of China HKBridge Holdings Limited (“**China HKBridge**”), China HKBridge is deemed to be interested in such 41,666,666 shares of the Company.
- HKBridge Absolute Return Fund, L.P. (“**HKBridge Absolute**”), a Cayman Islands exempted limited partnership, the general partner of which is HKBridge (Cayman) GP2 Limited, a Cayman Islands limited liability company. As the entire issued share capital of the general partner of HKBridge Absolute is indirectly owned by China HKBridge, China HKBridge is deemed to be interested in such 100,846,009 shares of the Company.
- High Aim Global Limited (“**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 deemed to be interested. High Aim is interested in 26,697,946 ordinary shares of the Company and 30,000,000 preferred shares of the Company.

6. Tai Dong New Energy Holdings Limited (“**Tai Dong**”) is interested in 38,473,590 shares of the Company. As Tai Dong is ultimately wholly-owned by Mr. Su Zhituan, Mr. Su Zhituan is deemed to be interested in such 38,473,590 shares of the Company.
7. The percentage is calculated on the basis of 455,219,666 shares of the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 2017.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 7 November 2014, the Company adopted a new share option scheme to replace the share option scheme adopted on 30 January 2002. The principal terms of the share option scheme were disclosed in the Company’s 2016 annual report. Details of movements in the Company’s share options during the six months ended 30 June 2017 are set out as follows:

	Number of share options				Outstanding at 30 June 2017
	Outstanding at 1 January 2017	Granted during the period (Note)	Exercised during the period	Lapsed during the period	
Senior management and employees	—	7,480,000	—	—	7,480,000
Total	—	7,480,000	—	—	7,480,000
Exercisable at the end of the period					7,480,000

Note:

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

COMPETING INTERESTS

As at 30 June 2017, none of the Directors, substantial shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) had 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

The Company did not redeem any of its listed shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

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 interim results of the Group for the six months ended 30 June 2017 and has provided advice and comments thereon.

CORPORATE GOVERNANCE CODE

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

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:

Chairman and Chief Executive

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

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

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

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The change in information on Directors subsequent to the date of the 2016 annual report of the Company, which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, is set out below:

Name of Director	Details of Changes
Mr. Lee Chan Wah	— appointed as executive director of China Healthwise Holdings Limited* (Stock Code: 348) with effect from 30 March 2017
Mr. Chu Kin Wang, Peleus	— appointed as independent non-executive director of Tianli Holdings Group Limited* (Stock Code: 117) with effect from 6 April 2017
	— appointed as independent non-executive director of China Huishan Dairy Holdings Company Limited* (Stock Code: 6863) with effect from 22 June 2017

* *a company whose shares are listed on the Main Board of the Stock Exchange*

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

Hong Kong, 10 August 2017

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Cai Zhaoyang, Mr. Lee Chan Wah, Mr. Zhang Chong, Mr. Zhang Chongdi and Dr. Andrew Goldenberg; 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>.