



Shentong Robot Education Group Company Limited 神通機器人教育集團有限公司

(formerly known as China Communication Telecom Services Company Limited 神通電信服務有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8206)

2016/17 Interim Report



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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.

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This report, for which the directors (the “Directors”) of Shentong Robot Education Group Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



Highlights

- Revenue of the Group for the six months ended 30 September 2016 was approximately HK\$42,600,000.
- Loss attributable to owners of the Company was approximately HK\$1,949,000 for the six months ended 30 September 2016.
- Loss per share for the six months ended 30 September 2016 was approximately HK0.12 cent.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2016.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$42,600,000 for the six months ended 30 September 2016, representing an increase of approximately 155.3% as compared to approximately HK\$16,685,000 for the six months ended 30 September 2015. The revenue for the six months ended 30 September 2016 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” and provision of robotic training course and others in the People’s Republic of China (the “PRC”).

The Group made a loss attributable to the owners of the Company of approximately HK\$1,949,000 for the six months ended 30 September 2016 as compared to approximately HK\$8,425,000 for the six months ended 30 September 2015. The loss was mainly attributable to the professional fees (the “Professional Fees”) incurred for the share subscription (the “Subscription”) of the Company during the period. The Professional Fees incurred during the period was approximately HK\$2.4 million. Excluding the Professional Fees, the adjusted profit attributable to owners of the Company was approximately HK\$0.5 million for the six months ended 30 September 2016. Improvement in result was mainly attributable to the completion of the acquisition (the “Acquisition”) of the entire equity interest in the Copious Link Ventures Limited (the “Target Company”) and its subsidiaries (collectively the “Target Group”) on 16 May 2016 (the “Completion Date”). The revenue and segment profit of the Target Group’s segment were approximately HK\$25.0 million and HK\$11.0 million respectively for the period from the Completion Date to the end of the reporting period.

BUSINESS REVIEW

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group. In March 2010, the Group completed the acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited#) (“Yijia”). In May 2016, the Group has completed the Acquisition. The principal subsidiaries of the Target Company are principally engaged in the promotion, sales and management of an electronic smart card “CRC Shentong Card” for use in payment for education and training courses in relation to China Robot Competition (the “CRC”) facilitated by the provision of education and training courses relating to robotics standardized by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. Both of Designated Shentong Card and CRC Shentong Card are electronic smart cards for use in electronic payment service businesses in the PRC. Since early 2010, the Board has strategically positioned the Group to focus on gaining exposure to the rapidly growing businesses of electronic smart card services and online gateway payment service in the PRC.

For the six months ended 30 September 2016, the segment profit generated from promotion and management services was approximately HK\$4,669,000, representing an increase of approximately 327.6% as compared to approximately HK\$1,092,000 for the six months ended 30 September 2015. The increase in the segment profit generated from promotion and management services was primarily due to the increase in gross profit and decrease in selling and distribution expenses.

For the six months ended 30 September 2016, the segment profit generated from provision of robotic training and others was approximately HK\$10,976,000.

Apart from concentrating on the business in promotion and management services for Designated Shentong Card and CRC Shentong Card, the Directors will continue to do their best to deploy their strengths and capabilities to expand the revenue base of the Group and capture the new opportunities offered by the prosperity of PRC market.

English name is for identification purpose only

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK\$42,600,000 (2015: approximately HK\$16,685,000) for the six months ended 30 September 2016, representing an increase of approximately 155.3% as compared with six months ended 30 September 2015 which was primarily due to the completion of the Acquisition.

The Group's gross profit for the six months ended 30 September 2016 amounted to approximately HK\$26,439,000 as compared to approximately HK\$11,060,000 for the six months ended 30 September 2015. The increase was mainly attributable to the completion of the Acquisition.

Selling and distribution and administrative expenses for the six months ended 30 September 2016 was approximately HK\$23,307,000 as compared to approximately HK\$18,163,000 for the six months ended 30 September 2015. The increase was primarily attributable to the Professional Fees and the completion of the Acquisition.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The Group made a loss attributable to the owners of the Company of approximately HK\$1,949,000 for the six months ended 30 September 2016 as compared to approximately HK\$8,425,000 for the six months ended 30 September 2015. The decrease was mainly due to the improvement in revenue and gross profit.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 7 to the condensed financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had outstanding promissory note at principal amount of approximately HK\$94.4 million (as at 31 March 2016: approximately HK\$94.4 million) with carrying value of approximately HK\$102.9 million (as at 31 March 2016: approximately HK\$102.0 million). The promissory note was unsecured and interest bearing at 2% per annum. On 30 September 2016, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date from 30 June 2016 to 30 June 2017. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2016 (as at 31 March 2016: HK\$Nil).

As at 30 September 2016, the Group had net current liabilities of approximately HK\$232.5 million (as at 31 March 2016: net current assets of approximately HK\$25.2 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK\$102.7 million (as at 31 March 2016: approximately HK\$18.0 million) and prepayments, deposits and other receivables of approximately HK\$28.9 million (as at 31 March 2016: approximately HK\$21.8 million). The Group's current liabilities mainly included promissory note of approximately HK\$102.9 million (as at 31 March 2016: included in non-current liabilities of approximately HK\$102.0 million), training course obligation of approximately HK\$19.8 million (as at 31 March 2016: HK\$Nil), accruals and other payables of approximately HK\$227.1 million (as at 31 March 2016: approximately HK\$2.0 million) and current tax liabilities of approximately HK\$14.1 million (as at 31 March 2016: approximately HK\$12.6 million).

At present, the Group generally finances its operations and investment activities with internal resources.

GEARING RATIO

The gearing ratio is measured by total interest-bearing borrowings as a percentage of equity. As at 30 September 2016, the gearing ratio was 106.0%. As at 31 March 2016, equity no gearing ratio was available as the Group was in negative equity position. The debt to asset ratio, defined as the ratio of total liabilities to total assets, was 2.86 as at 31 March 2016.

CAPITAL STRUCTURE

On 16 May 2016, 361,000,000 new ordinary shares were issued and allotted by way of subscription. The net proceeds of the Subscription (after deducting related professional fees and related expenses) were approximately HK\$179.9 million, and will be/have been used in the following manner: (i) as to HK\$30 million for settlement of the entire amount of the consideration of the Acquisition; and (ii) as to approximately HK\$149.9 million for payment of a portion of the service fee (the "Service Fee") under a service agreement (the "Service Agreement") by the Target Company (being a subsidiary of the Company after the completion of the Acquisition). Given that the Service Fee under the Service Agreement is payable by the Target Company (being a subsidiary of the Company after the completion of the Acquisition) to CCI on or before 15 November 2016 (i.e. within 360 days after the date of the Service Agreement), the Company is considering other means of fundraising including, without limitation, by way of equity and/or debt to fund the payment of the remaining balance of the Service Fee of approximately HK\$200.1 million. The Company will make further announcement(s) as and when appropriate in compliance with the GEM Listing Rules in the event that any possible fundraising activity materialises. Further details of the Subscription were set out in the announcements of the Company dated 3 May 2016 and 16 May 2016.

Save as disclosed above, there was no other change in the capital structure during the year.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2016 and 31 March 2016.

EMPLOYEE, REMUNERATION POLICIES AND STAFF COSTS

As at 30 September 2016, the Group had 115 employees (2015: 74). The staff costs for the six months ended 30 September 2016 was approximately HK\$10.0 million (six months ended 30 September 2015: approximately HK\$5.0 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

For the six months ended 30 September 2016 and the year ended 31 March 2016, the Group had no significant investment. As at 30 September 2016, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 9 December 2015, the Company, as purchaser, and Profuse Year Limited (the "Vendor"), as vendor, entered into a sale and purchase agreement in relation the acquisition of the entire issued share capital of the Target Company for a consideration of HK\$30 million. The Target Company and its subsidiaries are principally engaged in the promotion, sales and management of an electronic smart card "CRC Shentong Card" in the PRC facilitated by the provision of education and training courses relating to robotics standardized by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. The Vendor is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of CCI, a substantial shareholder of the Company under the GEM Listing Rules. The Acquisition constitutes a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules. The relevant resolutions in relation to the Acquisition were duly passed by the independent shareholders by way of poll at the extraordinary general meeting of the Company held on 16 February 2016. The Acquisition was completed on 16 May 2016. Details of the Acquisition were set out in the announcement of the Company dated 9 December 2015, the circular of the Company dated 31 December 2015 and the announcement of the Company dated 16 May 2016.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year.

FOREIGN CURRENCY RISK

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi (“RMB”) and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and RMB. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2016 and 31 March 2016.

CAPITAL COMMITMENTS

Details of capital commitments is set out in note 26 to the condensed financial statements.

Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	25,545	8,502	42,600	16,685
Cost of sales		(9,874)	(2,968)	(16,161)	(5,625)
Gross profit		15,671	5,534	26,439	11,060
Other income	6	207	16	223	34
Selling and distribution expenses		(3,520)	(3,447)	(6,261)	(7,320)
Administrative expenses		(9,486)	(6,785)	(17,046)	(10,843)
Other operating expenses		(549)	-	(549)	-
Profit/(loss) from operations		2,323	(4,682)	2,806	(7,069)
Finance costs	8	(476)	(477)	(945)	(948)
Profit/(loss) before tax		1,847	(5,159)	1,861	(8,017)
Income tax expense	9	(2,059)	(170)	(3,810)	(408)
Loss for the period attributable to owners of the Company	10	(212)	(5,329)	(1,949)	(8,425)
		HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)
Loss per share	12				
Basic (cents per share)		(0.01)	(0.41)	(0.12)	(0.65)
Diluted (cents per share)		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period	(212)	(5,329)	(1,949)	(8,425)
Other comprehensive income, net of tax				
<i>Item that may be reclassified to profit or loss:</i>				
— Exchange differences on translating foreign operation	(227)	(659)	(8,929)	(681)
Total comprehensive income for the period attributable to owners of the Company	(439)	(5,988)	(10,878)	(9,106)

Condensed Consolidated Statement of Financial Position

AT 30 SEPTEMBER 2016

	Note	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	7,475	933
Goodwill	14	37,326	–
Intangible assets	15	382,419	–
Total non-current assets		427,220	933
Current assets			
Inventories		64	–
Prepayments, deposits and other receivables	16	28,933	21,847
Bank and cash balances		102,653	17,961
Total current assets		131,650	39,808
TOTAL ASSETS		558,870	40,741
EQUITY AND LIABILITIES			
Share capital	21	16,557	12,947
Reserves		80,499	(88,779)
Total equity		97,056	(75,832)
LIABILITIES			
Non-current liabilities			
Promissory note	17	–	101,949
Deferred tax liabilities	18	97,694	–
Total non-current liabilities		97,694	101,949
Current liabilities			
Trade payables		49	–
Training course obligation	19	19,839	–
Receipt in advance		177	–
Accruals and other payables	20	227,047	2,003
Promissory note	17	102,894	–
Current tax liabilities		14,114	12,621
Total current liabilities		364,120	14,624
TOTAL EQUITY AND LIABILITIES		558,870	40,741

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Statutory reverse	Share-based payment reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2015	12,947	1,072,549	8,320	1,880	-	-	(1,149,921)	(54,225)
Total comprehensive income for the period	-	-	-	(681)	-	-	(8,425)	(9,106)
Transfer	-	-	-	-	625	-	(625)	-
Changes in equity for the period	-	-	-	(681)	625	-	(9,050)	(9,106)
At 30 September 2015	12,947	1,072,549	8,320	1,199	625	-	(1,158,971)	(63,331)
At 1 April 2016	12,947	1,072,549	8,320	643	625	-	(1,170,916)	(75,832)
Total comprehensive income for the period	-	-	-	(8,929)	-	-	(1,949)	(10,878)
Shares issued upon subscription and placing (note 21)	3,610	176,840	-	-	-	-	-	180,450
Share-based payments (note 22)	-	-	-	-	-	3,316	-	3,316
Changes in equity for the period	3,610	176,840	-	(8,929)	-	3,316	(1,949)	172,888
At 30 September 2016	16,557	1,249,389	8,320	(8,286)	625	3,316	(1,172,865)	97,056

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	72,535	(1,098)
Acquisition of subsidiaries (note 23)	(28,763)	–
Interest received	51	33
Proceeds from disposal of property, plant and equipment	198	–
Settlement of service fee payable related to Exclusive Rights	(135,900)	–
Purchase of property, plant and equipment	(1,715)	(39)
NET CASH USED IN INVESTING ACTIVITIES	(166,129)	(6)
Net proceeds from shares issued upon subscription and placing (note 21)	180,450	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	180,450	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,856	(1,104)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,164)	(752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,961	45,167
CASH AND CASH EQUIVALENTS AT END OF PERIOD	102,653	43,311
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	102,653	43,311

Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company changed its English name from "China Communication Telecom Services Company Limited" to "Shentong Robot Education Group Company Limited", and the Chinese name was changed from "神通電信服務有限公司" to "神通機器人教育集團有限公司". These changes were effect from 5 August 2016. The Certificate of Incorporation on Change of Name certifying the registration of change of English name of the Company issued by the Registry of Companies in the Cayman Islands was issued on 9 August 2016, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company certifying the new name of the Company have been registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance (Chapter 622) was issued on 1 September 2016.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The Group incurred a loss attributable to owners of the Company of approximately HK\$1,949,000 for the current period and the Group had net current liability of approximately HK\$232,470,000 as at 30 September 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors had adopted the going concern basis in the preparation of these condensed financial statements of the Group based on the following:

- (a) On 30 September 2015, the Group agreed with China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2017.
- (b) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) (“CCC”), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to CCI by the Group when necessary.
- (c) At 30 September 2016, the Group has service fee payable to CCI amounted to HK\$214,100,000 (“Service Fee”). CCC agreed to cause CCI to postpone the repayment date of any portion of the Service Fee due to CCI by the Group should the Company be unable to raise adequate fund for repayment before 15 November 2016.

Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the directors are therefore of the opinion that it is appropriate to prepare this condensed financial statement of the Group on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed financial statements.

* English name is for identification purpose only

4. ACCOUNTING POLICIES

The condensed financial statements should be read in conjunction with the 2016 annual consolidated financial statements. The accounting policies used in the preparation of this condensed financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2016 and with the following additions due to acquisition of certain subsidiaries:

(a) **Business combination (other than under common control) and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	33%–50%
Leasehold improvement	Shorter of unexpired lease period and useful lives
Equipments, furniture and fixtures	20%–33 $\frac{1}{3}$ %
Motor vehicles	18%–25%
Training equipments	33 $\frac{1}{3}$ %

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(c) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Exclusive rights to use the CRC Shengtong Card payment system, to organise and develop China Robot Competition (全國素質體育機器人運動會) (“CRC”) competition events and to provide CRC education and training courses in the Heilongjiang Province of the PRC (the “Exclusive Rights”) are measured initially at fair value and are assessed to have indefinite useful lives. No amortisation is charged to profit or loss. Useful lives are reviewed during each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the Exclusive Rights. The change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Revenue recognition

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

Competition admission fee income is recognised when the service is rendered.

Training course income is recognised when the service is rendered, which coincides with the time when the electronic smart card “CRC Designated Shengtong Card” being debited.

Promotion and management services income includes issuance handling fees and sales commission which is recognised when each electronic smart card “Designated Shengtong Card” is activated and technical services commission which is recognised when expenditures of Designated Shengtong Card are made by users.

Rental income of training equipments is recognised upon provision of rental service.

Interest income is recognised on a time-proportion basis using the effective interest method.

All revenue except interest income are net of value-added tax and other sales levy.

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Promotion and management services income from CCC	8,385	8,502	17,623	16,685
Robotic training course and others	17,160	–	24,977	–
	25,545	8,502	42,600	16,685

6. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest income	35	15	51	33
Gain on disposal of property, plant and equipment	172	–	172	–
Sundry income	–	1	–	1
	207	16	223	34

7. SEGMENT INFORMATION

The Group has the following operating segments:

- | | |
|------------------------------------|--|
| Promotion and management services | — Provision of promotion and management services for an electronic smart card “Designated Shentong Card” in the PRC. |
| Robotic training course and others | — Organising and hosting of China Robot Competition (“CRC”) and provision of CRC training course in the Heilongjiang Province in the PRC |

Information about operating segment profit or loss, assets and liabilities:

	Promotion and management services	Robotic training course and others	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 September 2016:			
Revenue from external customer	17,623	24,977	42,600
Segment profit	4,669	10,976	15,645
As at 30 September 2016:			
Segment assets	39,440	507,479	546,919
Segment liabilities	1,202	378,558	379,760

	Promotion and management services	Robotic training course and others	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 September 2015:			
Revenue from external customer	16,685	N/A	16,685
Segment profit	1,092	N/A	1,092
As at 31 March 2016:	(Audited)	(Audited)	(Audited)
Segment assets	36,377	N/A	36,377
Segment liabilities	1,312	N/A	1,312

	For the six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reconciliation of segment profit or loss:		
Total profit of reportable segments	15,645	1,092
Finance costs	(945)	(948)
Income tax expense	(3,810)	(408)
Unallocated amounts:		
Directors' emoluments	(3,092)	(1,620)
Legal and professional fee	(2,758)	(2,714)
Rent	(1,170)	(1,140)
Other unallocated head office and corporate expenses	(5,819)	(2,687)
Consolidated loss for the period	(1,949)	(8,425)

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on promissory note payable to CCI	476	477	945	948

9. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax				
— Provision for the period	2,059	329	3,810	729
Deferred tax	–	(159)	–	(321)
	2,059	170	3,810	408

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and six months ended 30 September 2016 and 2015.

Tax charge on estimated assessable profits in the PRC has been calculated at the prevailing tax rate of 25% (2015: 25%).

10. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Amortisation of intangible assets	–	636	–	1,285
Depreciation	980	200	1,562	417
Directors' emoluments	2,229	808	3,092	1,620
Legal and professional fee	402	2,702	2,997	2,752
Operating lease charges for land and buildings	1,661	1,171	2,984	2,353
Gain on disposal of property, plant and equipment	(172)	–	(172)	–
Written off of property, plant and equipment	549	–	549	–
Staff costs including directors' emoluments				
— Salaries, bonus and allowances	3,566	2,454	6,144	4,707
— Equity-settled share-based payments	3,316	–	3,316	–
— Retirement benefits scheme contributions	305	154	488	306
	7,187	2,608	9,948	5,013

11. DIVIDENDS

No dividends have been paid or proposed during the three months and six months ended 30 September 2016, nor has any dividend been proposed since the end of the reporting period (three months and six months ended 30 September 2015: Nil).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss				
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	(212)	(5,329)	(1,949)	(8,425)

(a) **Basic loss per share**

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Number of shares — Basic				
Issued ordinary shares at the beginning of the period	1,655,697,017	1,294,697,017	1,294,697,017	1,294,697,017
Effect of subscription and placing shares	—	—	272,229,508	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,655,697,017	1,294,697,017	1,566,926,525	1,294,697,017

The weighted average number of ordinary shares for current and prior periods has been adjusted as if the share subdivision had occurred at the beginning of the earliest period presented.

(b) **Diluted loss per share**

No diluted loss per share was presented as the Company did not have any dilutive potential ordinary shares for the three months and six months ended 30 September 2016 and 30 September 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year	933	1,559
Acquisition of subsidiaries (note 23)	7,137	–
Additions	1,715	200
Depreciation	(1,562)	(771)
Disposals	(26)	–
Written off	(549)	–
Exchange differences	(173)	(55)
Net carrying amount, end of the period/year	7,475	933

14. GOODWILL

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year	–	–
Acquisition of subsidiaries (note 23)	38,116	–
Exchange differences	(790)	–
Net carrying amount, end of the period/year	37,326	–

No impairment loss was recognised for the three months and six months ended 30 September 2016 (three months and six months ended 30 September 2015: Nil).

15. INTANGIBLE ASSETS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year	–	2,164
Acquisition of subsidiaries (note 23)	390,514	–
Amortisation of the period/year	–	(2,104)
Exchange differences	(8,095)	(60)
Net carrying amount, end of the period/year	382,419	–

No impairment loss was recognised for the three months and six months ended 30 September 2016 (three months and six months ended 30 September 2015: Nil).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Amount due from a substantial shareholder (note (i))	25,974	20,656
Amount due from a related company (note (ii))	32	–
Other receivables	745	11
Prepayments and deposits	2,182	1,180
	28,933	21,847

Notes:

- (i) The amount due from a substantial shareholder, CCC, is denominated in Renminbi (“RMB”), unsecured, interest-free and repayable on demand.
- (ii) The amounts due from a related company is denominated in RMB, unsecured, interest-free and repayable on demand.

17. PROMISSORY NOTE

As at 30 September 2016, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (at 31 March 2016: HK\$94,427,000).

On 31 March 2015, the Group and CCI agreed to extend the maturity date from 30 June 2015 to 30 June 2016. On 30 September 2015, the Group and CCI agreed to extend the maturity date from 30 June 2016 to 30 June 2017.

The principal amount of the promissory note is denominated in HK\$. The promissory note is unsecured. As at 30 September 2016, the coupon rate is 2% per annum (at 31 March 2016: 2% per annum) and the effective interest rate is 1.86% (at 31 March 2016: 1.86%).

18. DEFERRED TAX LIABILITIES

	Intangible assets HK\$'000	Undistributed profits of subsidiaries HK\$'000	Total HK\$'000
At 1 April 2015 (Audited)	541	–	541
Credit to the consolidated profit or loss for the year	(526)	–	(526)
Exchange differences	(15)	–	(15)
At 31 March 2016 and 1 April 2016 (Audited)	–	–	–
Acquisition of subsidiaries (note 23)	97,629	2,133	99,762
Exchange differences	(2,024)	(44)	(2,068)
At 30 September 2016 (Unaudited)	95,605	2,089	97,694

19. TRADE PAYABLES

The aging is up to 30 days based on the date of goods received. The carrying amount of the trade payables are denominated in RMB.

20. ACCRUALS AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Unaudited)
Amount due to a substantial shareholder (note (i))	214,200	–
Amounts due to related companies (note (ii))	3,494	–
Accrued salaries	211	–
Accrued expenses	377	646
Other payables	8,765	1,357
	227,047	2,003

Notes:

- (i) The amount due to a substantial shareholder CCI, is denominated in HK\$, unsecured, interest-free and repayable on demand.
- (ii) The amounts due to related companies are denominated in RMB, unsecured, interest-free and repayable on demand.

21. SHARE CAPITAL

	At 30 September 2016 (Unaudited)		At 31 March 2016 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each At the beginning and the end of the period/year	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each At the beginning of the period/year	1,294,697,017	12,947	1,294,697,017	12,947
Shares issued upon subscription and placing (note)	361,000,000	3,610	-	-
At the end of the period/year	1,655,697,017	16,557	1,294,697,017	12,947

Note: On 3 May 2016, the Company entered into CCI Subscription Agreement with CCI in respect of 100,000,000 new shares of the Company to be allotted and issued to CCI at HK\$0.5 per new share. The CCI Subscription Agreement was completed on 16 May 2016. On 3 May 2016, the Company entered into Investor Subscription Agreements with 6 independent investors in respect a total of 261,000,000 new shares of the Company to be allotted and issued to them at HK\$0.5 per new share. The Investor Subscription Agreements were completed on 16 May 2016.

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The purpose of the Company's share option scheme (the "Scheme") is to provide incentives and rewards to eligible participants who may contribute to the growth and development of the Group. Eligible participants include the employees (including executive Directors), non-executive Directors (including independent non-executive Directors), any consultants, suppliers or customers, employees of any invested entity and any person who, in the sole discretion of the Board has contributed or may contribute to the Group.

At the annual general meeting of the Company held on 7 August 2013, the Company's shareholders approved the adoption of the Scheme. The Scheme became effective on 7 August 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Details of the outstanding options granted under the Scheme as at the end of reporting periods are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price	Number of shares issuable under options granted	
				30 September 2016 '000 (Unaudited)	31 March 2016 '000 (Audited)
26 August 2016	Immediately	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	18,000	-

Options not exercised will expire after the exercisable period.

Details of the share options outstanding during the period are as follows:

	For the six months ended 30 September 2016 (Unaudited)		For the year ended 31 March 2016 (Audited)	
	Number of share options '000	Weighted average exercise price HK\$	Number of share options '000	Weighted average exercise price HK\$
Outstanding at the beginning of the period/year	-	N/A	-	-
Granted during the period/year	18,000	0.53	-	-
Outstanding at the end of the period/year	18,000	0.53	-	N/A
Exercisable at the end of the period/year	18,000	0.53	-	N/A

No share option has been exercised during the three months and six months ended 30 September 2016. The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 2.9 years and the exercise price is HK\$0.53. No share option was granted for the year ended 31 March 2016.

Options under the Scheme were granted on 26 August 2016. The estimated fair value of the options granted on that date is HK\$3,316,000. The fair value was calculated using Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	26 August 2016
Share price of the Company on grant date	HK\$0.53
Exercise price	HK\$0.53
Expected volatility	53.8%
Contractual life	3 years
Risk-free rate	0.96%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years.

23. ACQUISITION OF SUBSIDIARIES

On 16 May 2016, the Group acquired 100% equity interest of Copious Link Ventures Limited and its subsidiaries ("Copious Link Group") by cash consideration of HK\$30,000,000. The fair value of the identifiable assets and liabilities of it as at the date of acquisition, is as follows:

	HK\$'000 (Unaudited)
Net assets acquired:	
Property, plant and equipment (note 13)	7,137
Intangible assets — Exclusive Rights (notes 4(c) and 15)	390,514
Inventories	44
Prepayment, deposits and other receivables	26,566
Amount due from a substantial shareholder — CCC	43,696
Amounts due from related companies	6,422
Bank and cash balances	1,237
Receipt in advance	(12)
Training course obligation	(19,032)
Accruals and other payable	(11,035)
Amount due to a substantial shareholder — CCI	(350,100)
Amount due to a related company	(564)
Current tax liabilities	(3,227)
Deferred tax liabilities (note 18)	(99,762)
	(8,116)
Goodwill on acquisition (note 14)	38,116
	30,000

HK\$'000
(Unaudited)

Satisfied by:

Cash 30,000

Net cash outflow arising on acquisition:

Cash consideration paid (30,000)

Cash and cash equivalents acquired 1,237

(28,763)

The goodwill arising on the acquisition of Copious Link Group is attributable to the Group's robotic training course segment.

Copious Link Group contributed approximately HK\$24,977,000 and HK\$8,175,000 to the Group's revenue (include value added tax and other sales levy) and profit for the period respectively between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2016, total Group revenue (include value added tax and other sales levy) for the period and profit for the period would have been approximately HK\$35,888,000 and HK\$10,651,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is intended to be a projection of future results.

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed financial statements, the Group had the following material transactions with related parties during the period:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Acquisition of subsidiaries from a related company (note 23)	-	-	(30,000)	-
Promotion and management service income from CCC (excluding sales taxes)	8,524	8,533	17,696	16,748
Service fee to CCC				
— Advertising expenses	(1,528)	(1,379)	(2,938)	(2,597)
— Customer service hotline rental	(1,050)	(427)	(1,771)	(865)
— Server hosting service	(4,226)	(2,058)	(7,313)	(4,156)
— CRC Shentong Card payment system management	(1,101)	-	(1,613)	-
Interest on promissory note payable to CCI	(476)	(477)	(945)	(948)
Service fee to a related company				
— Advertising expenses	(576)	-	(846)	-
— Rental of competition venue	(18)	-	(18)	-
— Web maintenance fee	(1,585)	-	(2,369)	-

25. CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities (at 31 March 2016: Nil).

26. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Purchase of property, plant and equipment — Contracted but not provided for	428	4

27. LEASE COMMITMENTS

At the end of each of the reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within one year	3,081	2,348
In the second to fifth years inclusive	9,451	—
	12,532	2,348

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Leases are negotiated for a period from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 4 November 2016.

Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held			Approximate percentage of issued share capital	Share option held
	Personal interests	Corporate interests	Total		
Mr. He Chenguang	–	–	–	–	2,000,000
Mr. Bao Yueqing	2,844,000	–	2,844,000	0.17%	5,000,000

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held			Total	Approximate percentage of issued share capital
	Personal interests	Corporate interests	Other interests		
CCC (Note 1)	–	472,042,000	–	472,042,000	28.51%
CCI	472,042,000	–	–	472,042,000	28.51%
Yang Shao Hui	209,032,256	–	–	209,032,256	12.62%
Friendly Capital Limited	109,900,000	–	–	109,900,000	6.63%
Wong Tseng Hon	100,000,000	–	–	100,000,000	6.03%

Note:

- (1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.

Save as disclosed above, as at 30 September 2016, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the directors' term of office. Mr. Yip Tai Him ceased to be the independent non-executive director of the Vinco Financial Group Limited (stock code: 8340) with effect from 1 August 2016.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed on 7 August 2013. Details of the 2013 Share Option Scheme have been set out in the Company's annual report of year 2015/16.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 30 September 2016 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Closing price per share immediately before date of grant HK\$	Number of share options					
					As at 1 April 2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 September 2016
Directors										
Mr. He Chenguang	26 August 2016	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	0.53	-	2,000,000	-	-	-	2,000,000
Mr. Bao Yueqing	26 August 2016	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	0.53	-	5,000,000	-	-	-	5,000,000

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Closing price per share immediately before date of grant HK\$	Number of share options					
					As at 1 April 2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 September 2016
Sub-total					-	7,000,000	-	-	-	7,000,000
Other Eligible Participants										
In aggregate	26 August 2016	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	0.53	-	11,000,000	-	-	-	11,000,000
Total					-	18,000,000	-	-	-	18,000,000

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

Details of the valuation of the share options are set out in note 22 to the condensed financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares on the GEM during the six months ended 30 September 2016.

COMPETING INTERESTS

None of the Directors nor their respective associates (as defined in the GEM Listing Rules) had any business or interest in a business which competes or may compete with the businesses of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. During the six months ended 30 September 2016, it comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company’s qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group’s internal control system.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 2016. The audit committee is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

Having made specific enquiry of all Directors, the Board has confirmed that all Directors have complied with the principles and code provisions (the “Code Provisions”) set out in the CG Code during the six months ended 30 September 2016, save for the deviation from Code Provisions A.6.7 and E.1.2 which are explained below:

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders, Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 5 August 2016 (the “2016 AGM”) due to their other business activities and unexpected engagement.

In addition, under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. He Chenguang (chairman of the Board and chairman of the nomination committee of the Company) was unable to attend the 2016 AGM due to an unexpected engagement. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2016 AGM to answer and address questions raised by shareholders at the 2016 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors 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 (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2016.

By order of the Board
Shentong Robot Education Group Company Limited
He Chenguang
Chairman

As at the date of this report, the Board comprises:

Mr. He Chenguang (*Executive Director and Chairman*)
Mr. Bao Yueqing (*Executive Director and Chief Executive Officer*)
Mr. Yip Tai Him (*Independent Non-Executive Director*)
Ms. Han Liqun (*Independent Non-Executive Director*)
Ms. Zhang Li (*Independent Non-Executive Director*)

Hong Kong, 4 November 2016