



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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8206)



2017/18 First Quarterly Report



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.

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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 three months ended 30 June 2017 was approximately HK\$31,002,000.
- Profit attributable to the owners of the Company was approximately HK\$6,773,000 for the three months ended 30 June 2017.
- Earnings per share for the three months ended 30 June 2017 was approximately HK0.41 cent.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the three months ended 30 June 2017.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the three months ended 30 June 2017.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$31,002,000 for the three months ended 30 June 2017, representing an increase of approximately 81.8% as compared to approximately HK\$17,055,000 for the three months ended 30 June 2016. The revenue for the three months ended 30 June 2017 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” and provision of robotics training course and others in the People’s Republic of China (the “PRC”).

The Group made a profit attributable to owners of the Company of approximately HK\$6,773,000 for the three months ended 30 June 2017 as compared to a loss of approximately HK\$1,737,000 for the three months ended 30 June 2016. Improvement in results was mainly attributable to the increase in revenue generated from the provision of robotics training course and others which was increased from approximately HK\$7,817,000 for the three months ended 30 June 2016 to approximately HK\$23,913,000 for the three months ended 30 June 2017.

BUSINESS REVIEW

In May 2016, the Group completed the acquisition of 100% of the equity interest in 黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Company Limited#) (“Heilongjiang Shentong”). The principal activities of Heilongjiang Shentong are provision of quality education (education and training courses) relating to robotics standardised by China Robot Competition (the “CRC”) using an electronic smart card “CRC Shentong Card” as main payment medium, as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC. With the completion of the Acquisition, the Group has become the only enterprise authorised to host CRC competition events and provide related CRC education and training (collectively, the “CRC Quality Education”) in Heilongjiang Province. By organising a diversified series of CRC events in Heilongjiang Province, the Group effectively promoted the popularisation and development of quality robot education, and successfully created a new source of revenues.

The Group’s revenue was mainly attributable to the provision of quality education (including robotics training courses) in Heilongjiang Province of the PRC and the provision of promotion and management services of electronic smart card “Designated Shentong Card” in the PRC. The CRC Quality Education in Heilongjiang Province becomes a key driver of the Group’s business growth. For the three months ended 30 June 2017, the revenue generated from the business of robotics training course and others was approximately HK\$23,913,000, representing an increase of approximately 205.9% as compared to approximately HK\$7,817,000 for the three months ended 30 June 2016. While the revenue generated from the provision of promotion and management services for Designated Shentong Card was approximately HK\$7,089,000, representing a decrease of approximately 23.3% as compared to approximately HK\$9,238,000 for the three months ended 30 June 2016.

In view of the booming potential of quality education in China, the Group will continue to promote the CRC Quality Education business by developing more high-quality education programmes. It is expected that quality education in China will have a huge potential of development with supportive government policy and increasing government expenditure on education sector. By leverage the first-mover advantages in China quality education, the Group will strive to capture the new opportunities in business expansion and development in the quality education section in the PRC, and thus to expand the revenue base of the Group.

English name is for identification purpose only

Condensed Consolidated Statement of Profit or Loss

FOR THE THREE MONTHS ENDED 30 JUNE 2017

	Note	For the three months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	31,002	17,055
Cost of sales		(10,529)	(6,287)
Gross profit		20,473	10,768
Other income	4	48	16
Selling and distribution expenses		(3,435)	(2,741)
Administrative expenses		(5,409)	(7,560)
Other operating expenses		(515)	–
Profit from operations		11,162	483
Finance costs	5	(474)	(469)
Profit before tax		10,688	14
Income tax expense	6	(3,915)	(1,751)
Profit/(loss) for the period attributable to owners of the Company	7	6,773	(1,737)
		HK cent (Unaudited)	HK cent (Unaudited)
Earnings/(loss) per share	9		
Basic (cents per share)		0.41	(0.12)
Diluted (cents per share)		N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE THREE MONTHS ENDED 30 JUNE 2017

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit/(loss) for the period	6,773	(1,737)
Other comprehensive income, net of tax:		
<i>Item that may be reclassified to profit or loss:</i>		
— Exchange differences on translating foreign operations	8,937	(8,702)
Total comprehensive income for the period attributable to owners of the Company	15,710	(10,439)

Notes to the Interim Financial Information

FOR THE THREE MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business 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").

2. BASIS OF PREPARATION

This unaudited interim financial information ("Financial Information") has been prepared by the directors of the Company (the "Directors") in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The amounts included in the Financial Information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to the interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The Financial Information should read in conjunction with the Group's annual financial statement for the year ended 31 March 2017. The accounting policies and methods of computation used in the preparation of the Financial Information are consistent with those used in the annual financial statement for the year ended 31 March 2017.

The Group had net current liability of approximately HK\$218,163,000 as at 30 June 2017. 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 be 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 this Financial Information of the Group based on the following:

- (a) On 15 November 2016, the Group agreed with China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, to postpone the repayment date to 15 November 2017 for an amount of HK\$95,100,000 due to CCI and the directors expect that the repayment date will be further postponed successfully.
- (b) On 31 May 2017, the Group agreed with CCI to postpone the maturity date of the promissory note to 30 June 2018.
- (c) 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.

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 the Financial Information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated 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.

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3. REVENUE

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Promotion and management services income from CCC	7,089	9,238
Robotics training course and others	23,913	7,817
	31,002	17,055

4. OTHER INCOME

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income	48	16

5. FINANCE COSTS

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on promissory note payable to CCI	474	469

6. INCOME TAX EXPENSE

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
— Provision for the period	3,856	1,751
— Under provision for previous year	59	—
	3,915	1,751

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the three months ended 30 June 2017 and 2016.

Tax charged on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2016: 25%).

7. PROFIT/(LOSS) FOR THE PERIOD

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

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation	839	582
Directors' emoluments	924	863
Legal and professional fee	67	2,595
Operating lease charges for land and buildings	1,513	1,323
Staff costs including Directors' emoluments		
— salaries, bonus and allowances	4,015	2,578
— retirement benefits scheme contributions	317	183
	4,332	2,761

8. DIVIDENDS

No dividends have been paid or proposed during the three months ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (three months ended 30 June 2016: HK\$Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	6,773	(1,737)

(a) Basic earnings/(loss) per share

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Number of shares — Basic		
Issued ordinary share at 1 April	1,655,697,017	1,294,697,017
Effect of subscription shares on 16 May 2016	—	180,500,000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,655,697,017	1,475,197,017

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the three months ended 30 June 2017 and 30 June 2016.

10. MOVEMENT OF RESERVES

	Share premium	Merger reserve	Foreign currency translation reserve	Statutory reverse	Share based payment reverse	Accumulated losses	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 April 2016	1,072,549	8,320	643	625	-	(1,170,916)	(88,779)
Shares issued upon subscription	176,840	-	-	-	-	-	176,840
Total comprehensive income for the period	-	-	(8,702)	-	-	(1,737)	(10,439)
Changes in equity for the period	176,840	-	(8,702)	-	-	(1,737)	166,401
At 30 June 2016	1,249,389	8,320	(8,059)	625	-	(1,172,653)	77,622
At 1 April 2017 (audited)	1,249,389	8,320	(19,711)	625	3,316	(1,167,070)	74,869
Total comprehensive income for the period	-	-	8,937	-	-	6,773	15,710
Changes in equity for the period	-	-	8,937	-	-	6,773	15,710
At 30 June 2017	1,249,389	8,320	(10,774)	625	3,316	(1,160,297)	90,579

11. EVENTS AFTER REPORTING PERIOD

On 21 June 2017, the Company entered into Investor Subscription Agreements with 2 independent investors in respect of a total 240,000,000 new shares of the Company to be allotted and issued to them at HK\$0.45 per new share. The Investor Subscription Agreements were completed on 4 July 2017.

Other Information

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

As at 30 June 2017, 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 options held
	Personal interests	Corporate interests	Total		
He Chenguang	–	–	–	–	2,000,000
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 June 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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%
Li Chungang (Note 2)	–	109,900,000	–	109,900,000	6.63%
Friendly Capital Limited	109,900,000	–	–	109,900,000	6.63%

Notes:

- (1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.
- (2) Friendly Capital Limited is wholly-owned by Li Chungang and is therefore deemed to be interested in 109,900,000 shares held by Friendly Capital Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2017, 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.

CAPITAL STRUCTURE

On 4 July 2017, 240,000,000 new ordinary shares were issued and allotted by way of subscription (the “Subscription”). The net proceeds of the Subscription (after deducting related professional fees and related expenses) were approximately HK\$107.8 million, and will be/have been used in the following manner: (i) as to approximately HK\$2.8 million will be applied for the general working capital of the Group; and (ii) as to approximately HK\$105 million will be applied for settlement of part of the consideration payable by the Group for partial repayment of the service fee under a service agreement. Further details of the Subscription were set out in the announcements of the Company dated 21 June 2017, 27 June 2017 and 4 July 2017.

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries during the period.

SHARE OPTION SCHEMES

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 2016/17.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 30 June 2017 were as follows:

Name or category of participant	Date of grant	Exercisable period	Closing price per share		Number of share options					As at 30 June 2017
			Exercise price per share HK\$	immediately before date of grant HK\$	As at 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors										
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
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
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.

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.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the three months ended 30 June 2017.

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 three months ended 30 June 2017, 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.

The audit committee has reviewed the unaudited first quarterly results of the Group for the three months ended 30 June 2017. 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 three months ended 30 June 2017, 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 3 August 2017 (the “2017 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 2017 AGM due to his other business activities and unexpected engagement. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2017 AGM to answer and address questions raised by shareholders at the 2017 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 three months ended 30 June 2017.

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 August 2017