



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)



INTERIM REPORT
2017/18

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.

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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 2017 was approximately HK\$65,594,000.
- Profit attributable to owners of the Company was approximately HK\$13,416,000 for the six months ended 30 September 2017.
- Earnings per share for the six months ended 30 September 2017 was approximately HK0.76 cent.
- The board of the Directors (the "Board") does not recommend the payment of a dividend for the six months ended 30 September 2017.

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 2017.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$65,594,000 for the six months ended 30 September 2017, representing an increase of approximately 54.0% as compared to approximately HK\$42,600,000 for the six months ended 30 September 2016. The revenue for the six months ended 30 September 2017 was attributable to the provision of robotics training course and others (the "Training Business") and the provision of promotion and management services for an electronic smart card "Shentong Card" (the "Shentong Card Business") in the People's Republic of China (the "PRC").

The Group made a profit attributable to the owners of the Company of approximately HK\$13,416,000 for the six months ended 30 September 2017 as compared to the loss of approximately HK\$1,949,000 for the six months ended 30 September 2016. The improvement was mainly due to the increase in revenue from the Training Business from approximately HK\$24,977,000 for the six months ended 30 September 2016 to approximately HK\$50,970,000 for the six months ended 30 September 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 standardisation 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 popularity 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 six months ended 30 September 2017, the revenue generated from the Training Business was approximately HK\$50,970,000, representing an increase of approximately 104.1% as compared to approximately HK\$24,977,000 for the six months ended 30 September 2016. The revenue generated from the Shentong Card Business amounted to approximately HK\$14,624,000, representing a decrease of approximately 17.0% as compared to approximately HK\$17,623,000 for the six months ended 30 September 2016.

In July 2017, the State Council of PRC issued the “New Generation of Artificial Intelligence (AI) Development Plan (新一代人工智能發展規劃)”, which divided the national AI development strategies into three stages, including the implementation of the universal intelligent education project, providing AI-related courses in primary and secondary schools and gradually promoting and encouraging society to participate in programming education. The plan also suggests that a comprehensive intelligent education should not be neglected. With the disposable income of the middle-class household in China increased continuously, the quality education in China, which focuses on the comprehensive development of the students, becomes the parents’ preference to nurture their children. As a pioneer in China quality education, the Group will strive to seize new opportunities for the expansion in the field of quality education in China, and strive to develop the quality robotic education programmes in more areas by leveraging on our advantages, thereby broadening the revenue base of the Group.

English name is for identification purpose only

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK\$65,594,000 (2016: approximately HK\$42,600,000) for the six months ended 30 September 2017, representing an increase of approximately 54.0% as compared with six months ended 30 September 2016 which was primarily due to the growth of the robotics training course and others.

The Group's gross profit for the six months ended 30 September 2017 amounted to approximately HK\$43,140,000 as compared to approximately HK\$26,439,000 for the six months ended 30 September 2016. The increase was mainly attributable to the growth of the robotics training course and others.

Selling and distribution and administrative expenses for the six months ended 30 September 2017 was approximately HK\$20,232,000 as compared to approximately HK\$23,307,000 for the six months ended 30 September 2016. The decrease was primarily attributable to the decrease in equity-settled share-based payments included in the employee benefits expense.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The Group made a profit attributable to the owners of the Company of approximately HK\$13,416,000 for the six months ended 30 September 2017 as compared to loss of approximately HK\$1,949,000 for the six months ended 30 September 2016. The improvement 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 6 to the condensed financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group had outstanding promissory note at principal amount of approximately HK\$94.4 million (as at 31 March 2017: approximately HK\$94.4 million) with carrying value of approximately HK\$104.8 million (as at 31 March 2017: approximately HK\$103.8 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 May 2017, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date from 30 June 2017 to 30 June 2018. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2017 (as at 31 March 2017: HK\$Nil).

As at 30 September 2017, the Group had net current liabilities of approximately HK\$102.6 million (as at 31 March 2017: approximately HK\$227.2 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK\$111.7 million (as at 31 March 2017: approximately HK\$92.5 million) and prepayments, deposits and other receivables of approximately HK\$49.6 million (as at 31 March 2017: approximately HK\$32.6 million). The Group's current liabilities mainly included promissory note of approximately HK\$104.8 million (as at 31 March 2017: approximately HK\$103.8 million), training course obligation of approximately HK\$30.1 million (as at 31 March 2017: approximately HK\$21.6 million), accruals and other payables of approximately HK\$106.2 million (as at 31 March 2017: approximately HK\$209.6 million) and current tax liabilities of approximately HK\$22.9 million (as at 31 March 2017: approximately HK\$17.2 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 2017, the gearing ratio was 45.5% (as at 31 March 2017: 113.6%).

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 for the general working capital of the Group; and (ii) as to approximately HK\$105.0 million for settlement of a portion 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 other change in the capital structure during the period.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2017 and 31 March 2017.

EMPLOYEE, REMUNERATION POLICIES AND STAFF COSTS

As at 30 September 2017, the Group had 145 employees (as at 31 March 2017: 100). The staff costs for the six months ended 30 September 2017 was approximately HK\$9.2 million (six months ended 30 September 2016: approximately HK\$10.0 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 2017 and the year ended 31 March 2017, the Group had no significant investment. As at 30 September 2017, 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 (the "Acquisition") of the entire issued share capital of the Copious Link Ventures Limited (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 period.

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 2017 and 31 March 2017.

CAPITAL COMMITMENTS

Details of capital commitments is set out in note 25 to the condensed financial statements.

Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	34,592	25,545	65,594	42,600
Cost of sales		(11,925)	(9,874)	(22,454)	(16,161)
Gross profit		22,667	15,671	43,140	26,439
Other income	5	106	207	154	223
Selling and distribution expenses		(5,067)	(3,520)	(8,502)	(6,261)
Administrative expenses		(6,321)	(9,486)	(11,730)	(17,046)
Other operating expenses		(557)	(549)	(1,072)	(549)
Profit from operations		10,828	2,323	21,990	2,806
Finance costs	7	(474)	(476)	(948)	(945)
Profit before tax		10,354	1,847	21,042	1,861
Income tax expense	8	(3,711)	(2,059)	(7,626)	(3,810)
Profit/(loss) for the period attributable to owners of the Company	9	6,643	(212)	13,416	(1,949)
		HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)
Earnings/(loss) per share	11				
Basic (cents per share)		0.35	(0.01)	0.76	(0.12)
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 2017

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit/(loss) for the period	6,643	(212)	13,416	(1,949)
Other comprehensive income, net of tax <i>Item that may be reclassified to profit or loss:</i>				
— Exchange differences on translating foreign operations	8,693	(227)	17,630	(8,929)
Total comprehensive income for the period attributable to owners of the Company	15,336	(439)	31,046	(10,878)

Condensed Consolidated Statement of Financial Position

AT 30 SEPTEMBER 2017

	Note	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,783	5,416
Goodwill	13	37,804	36,302
Intangible assets	14	387,319	371,929
Total non-current assets		431,906	413,647
Current assets			
Inventories		55	54
Prepayments, deposits and other receivables	15	49,580	32,582
Bank and cash balances		111,735	92,525
Total current assets		161,370	125,161
TOTAL ASSETS		593,276	538,808
EQUITY AND LIABILITIES			
Share capital	20	18,957	16,557
Reserves		211,364	74,869
Total equity		230,321	91,426
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	98,946	95,014
Total non-current liabilities		98,946	95,014
Current liabilities			
Training course obligation	16	30,144	21,581
Receipt in advance		12	129
Accruals and other payables	19	106,204	209,590
Promissory note	17	104,791	103,843
Current tax liabilities		22,858	17,225
Total current liabilities		264,009	352,368
TOTAL EQUITY AND LIABILITIES		593,276	538,808

Approved by the Board of Directors on 8 November 2017 and are signed on its behalf by:

He Chenguang
Director

Bao Yueqing
Director

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	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 2016 (Audited)	12,947	1,072,549	8,320	643	625	-	(1,170,916)	(75,832)
Shares issued upon subscription (note 20)	3,610	176,840	-	-	-	-	-	180,450
Share-based payments (note 21)	-	-	-	-	-	3,316	-	3,316
Total comprehensive income for the period	-	-	-	(8,929)	-	-	(1,949)	(10,878)
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
At 1 April 2017 (Audited)	16,557	1,249,389	8,320	(19,711)	625	3,316	(1,167,070)	91,426
Shares issued upon subscription (note 20)	2,400	105,449	-	-	-	-	-	107,849
Total comprehensive income for the period	-	-	-	17,630	-	-	13,416	31,046
Changes in equity for the period	2,400	105,449	-	17,630	-	-	13,416	138,895
At 30 September 2017	18,957	1,354,838	8,320	(2,081)	625	3,316	(1,153,654)	230,321

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	14,437	72,535
Acquisition of subsidiaries (note 22)	–	(28,763)
Interest received	154	51
Proceeds from disposal of property, plant and equipment	–	198
Settlement of service fee payable to CCI relating to Exclusive Rights	(105,000)	(135,900)
Purchase of property, plant and equipment	(3,236)	(1,715)
NET CASH USED IN INVESTING ACTIVITIES	(108,082)	(166,129)
Net proceeds from subscription of shares (note 20)	107,849	180,450
NET CASH GENERATED FROM FINANCING ACTIVITIES	107,849	180,450
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,204	86,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,006	(2,164)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	92,525	17,961
CASH AND CASH EQUIVALENTS AT END OF PERIOD	111,735	102,653
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	111,735	102,653

Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 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").

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.

These condensed financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2017.

The Group had net current liabilities of approximately HK\$102,639,000 as at 30 September 2017. This condition 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 these condensed financial statements of the Group based on the followings:

- (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. On 1 November 2017, the group agreed with CCI to postpone the maturity date to 15 November 2018 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 this condensed financial statements 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 year beginning on 1 April 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant effect on the condensed financial statements.

* *English name is for identification purpose only*

4. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Promotion and management services income from CCC	7,535	8,385	14,624	17,623
Robotics training course and others	27,057	17,160	50,970	24,977
	34,592	25,545	65,594	42,600

5. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income	106	35	154	51
Gain on disposal of property, plant and equipment	-	172	-	172
	106	207	154	223

6. 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.
- Robotics 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	Robotics training course and others	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended			
30 September 2017:			
Revenue from external customer	14,624	50,970	65,594
Segment profit	1,939	27,656	29,595
As at 30 September 2017:			
Segment assets	43,704	553,262	596,966
Segment liabilities	2,420	133,361	135,781
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 31 March 2017:			
	(Audited)	(Audited)	(Audited)
Segment assets	39,420	498,026	537,446
Segment liabilities	1,403	229,046	230,449

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Reconciliation of segment profit or loss:		
Total profit of reportable segments	29,595	15,645
Finance costs	(948)	(945)
Income tax expense	(7,626)	(3,810)
Unallocated amounts:		
Directors' emoluments and allowances	(1,854)	(3,092)
Legal and professional fees	(178)	(2,758)
Rent	(1,231)	(1,170)
Salaries and share-based payments	(2,394)	(3,610)
Other unallocated head office and corporate expenses	(1,948)	(2,209)
Consolidated profit/(loss) for the period	13,416	(1,949)

7. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on promissory note payable to CCI	474	476	948	945

8. INCOME TAX EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax				
— Provision for the period	3,711	2,059	7,567	3,810
— Underprovision for previous year	—	—	59	—
	3,711	2,059	7,626	3,810

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 2017 and 2016.

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

9. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation	1,192	980	2,031	1,562
Directors' emoluments	930	2,229	1,854	3,092
Legal and professional fees	123	402	190	2,997
Operating lease charges for land and buildings	1,865	1,661	3,378	2,984
Gain on disposal of property, plant and equipment	–	(172)	–	(172)
Property, plant and equipment written off	22	549	22	549
Employee benefits expense including directors' emoluments				
— Salaries, bonus and allowances	4,536	3,566	8,551	6,144
— Equity-settled share-based payments	–	3,316	–	3,316
— Retirement benefits scheme contributions	287	305	604	488
	4,823	7,187	9,155	9,948

10. DIVIDENDS

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

11. 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 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit/(loss)				
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	6,643	(212)	13,416	(1,949)

(a) Basic earnings/(loss) per share

	For the three months ended 30 September		For the six months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Number of shares — Basic				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,887,870,930	1,655,697,017	1,772,418,328	1,566,926,525

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

(b) Diluted earnings/(loss) per share

No diluted earnings/(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 2017 and 30 September 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year (Audited)	5,416	933
Acquisition of subsidiaries (note 22)	–	7,137
Additions	3,236	1,869
Depreciation	(2,031)	(3,427)
Disposals	–	(559)
Written off	(22)	(90)
Exchange differences	184	(447)
Net carrying amount, end of the period/year	6,783	5,416

13. GOODWILL

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year (Audited)	36,302	–
Acquisition of subsidiaries (note 22)	–	38,116
Exchange differences	1,502	(1,814)
Net carrying amount, end of the period/year	37,804	36,302

No impairment loss was recognised for the three months and six months ended 30 September 2017 (three months ended and six months ended 30 September 2016: Nil).

14. INTANGIBLE ASSETS — EXCLUSIVE RIGHTS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Net carrying amount, beginning of the period/year (Audited)	371,929	–
Acquisition of subsidiaries (note 22)	–	390,514
Exchange differences	15,390	(18,585)
Net carrying amount, end of the period/year	387,319	371,929

No impairment loss was recognised for the three months and six months ended 30 September 2017 (three months and six months ended 30 September 2016: Nil).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Amount due from a substantial shareholder (note (i))	34,031	25,687
Amounts due from related companies (note (ii))	4,073	2,241
Other receivables	945	289
Prepayments and deposits	10,531	4,365
	49,580	32,582

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.

16. TRAINING COURSE OBLIGATION

Training course obligation represented the prepaid course fee received from training course participants.

17. PROMISSORY NOTE

As at 30 September 2017, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (at 31 March 2017: HK\$94,427,000).

On 30 September 2015, the Group and CCI agreed to extend the maturity date from 30 June 2016 to 30 June 2017. On 31 May 2017, the Group and CCI agreed to extend the maturity date from 30 June 2017 to 30 June 2018.

The principal amount of the promissory note is denominated in HK\$. The promissory note is unsecured. As at 30 September 2017, the coupon rate is 2% per annum (2016: 2% per annum) and the effective interest rate is 1.81% (as at 31 March 2017: 1.86%).

18. DEFERRED TAX LIABILITIES

	Intangible assets	Undistributed profits of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (Audited)	–	–	–
Acquisition of subsidiaries (note 22)	97,629	2,133	99,762
Exchange differences	(4,646)	(102)	(4,748)
At 31 March 2017 and 1 April 2017 (Audited)	92,983	2,031	95,014
Exchange differences	3,848	84	3,932
At 30 September 2017 (Unaudited)	96,831	2,115	98,946

19. ACCRUALS AND OTHER PAYABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Amount due to a substantial shareholder (note a)	95,100	200,100
Amount due to a related company (note b)	564	564
Accrued salaries	2,280	1,419
Accrued expenses	1,177	1,286
Security deposits (note c)	5,290	5,080
Other payables	1,793	1,141
	106,204	209,590

Notes:

- (a) The amount due to CCI, a substantial shareholder of the Company, is denominated in HK\$, unsecured, interest-free and repayable on 15 November 2017. On 1 November 2017, the Group agreed with CCI to postpone the maturity date to 15 November 2018.
- (b) The amount due to a related company is denominated in HK\$, unsecured, interest-free and repayable on demand.
- (c) The amount represented the security deposits paid by CCC for the Heilongjiang Shentong CRC Shentong Card Payment system.

20. SHARE CAPITAL

	At 30 September 2017 (Unaudited)		At 31 March 2017 (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	1,655,697,017	16,557	1,294,697,017	12,947
Shares issued upon subscription (note)	240,000,000	2,400	361,000,000	3,610
At the end of the period/year	1,895,697,017	18,957	1,655,697,017	16,557

Notes:

- (i) 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.
- (ii) On 21 June 2017, the Company entered into Investor Subscription Agreements with 2 independent investors in respect a total of 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.

21. 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 eligible for share options under the Scheme.

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.

The maximum number of shares under the Scheme which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for a share of the Company in respect of any particular option granted under the Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

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 2017 '000 (Unaudited)	31 March 2017 '000 (Audited)
26 August 2016	Immediately	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	18,000	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 2017 (Unaudited)		For the year ended 31 March 2017 (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	18,000	0.53	–	N/A
Granted during the period/year	–	N/A	18,000	0.53
Outstanding at the end of the period/year	18,000	0.53	18,000	0.53
Exercisable at the end of the period/year	18,000	0.53	18,000	0.53

No share option has been exercised during the three months and six months ended 30 September 2017. The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 1.9 years and the exercise price is HK\$0.53.

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.

22. 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. Copious Link Group is engaged in robotics education in Heilongjiang province of the PRC. The acquisition is for the purpose of diversifying the Group's revenue base. The fair value of the identifiable assets and liabilities of it as at the date of acquisition, is as follows:

	HK\$'000 (Audited)
Net assets acquired:	
Property, plant and equipment (note 12)	7,137
Intangible assets — Exclusive Rights (note 14)	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 (note 16)	(19,032)
Accruals and other payables	(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 13)	38,116
	30,000

HK\$'000
(Audited)

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 fair value of other receivables, amount due from a substantial shareholder and amounts due from related companies are HK\$2,643,000, HK\$43,696,000 and HK\$6,422,000 respectively. All of the contractual cash flows are expected to be collected in full.

The goodwill arising on the acquisition of Copious Link Group is attributable to the anticipated profitability of utilising the Group's experience in smart electronic card application to the new robotics education business and the anticipated future operating synergies from the combination.

23. 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Acquisition of subsidiaries from a related company (note 22)	-	-	-	(30,000)
Promotion and management service income from CCC	7,535	8,385	14,624	17,623
Service fee to CCC				
— Advertising expenses	(1,384)	(1,528)	(2,794)	(2,938)
— Customer service hotline rental	(1,070)	(1,050)	(2,128)	(1,771)
— Server hosting service	(4,175)	(4,226)	(8,264)	(7,313)
— CRC Shentong Card payment system management	(1,655)	(1,101)	(3,132)	(1,613)
Interest on promissory note payable to CCI	(474)	(476)	(948)	(945)
Service fee to a related company				
— Advertising expenses	(567)	(576)	(1,143)	(846)
— Rental of competition venue	(53)	(18)	(115)	(18)
— Web maintenance fee	(1,485)	(1,585)	(3,018)	(2,369)

24. CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities (at 31 March 2017: Nil).

25. CAPITAL COMMITMENTS

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Purchase of property, plant and equipment		
— Contracted but not provide for	2,699	3,990

26. 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 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	3,269	4,501
In the second to fifth years inclusive	6,814	8,453
	10,083	12,954

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.

27. EVENTS AFTER THE REPORTING PERIOD

On 1 November 2017, the Group agreed with CCI to postpone the maturity date of an amount of HK\$95,100,000 due to CCI to 15 November 2018.

28. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 April 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the financial statements. As the Group has not completed its assessment, further impacts may be identified in the due course.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 November 2017.

OTHER INFORMATION

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

As at 30 September 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 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 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 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	24.90%
CCI	472,042,000	–	–	472,042,000	24.90%
Yang Shao Hui	209,032,256	–	–	209,032,256	11.03%
Cao Bingsheng	120,000,000	–	–	120,000,000	6.33%
Liang Haiqi	120,000,000	–	–	120,000,000	6.33%
Li Chungang (Note 2)	–	109,900,000	–	109,900,000	5.80%
Friendly Capital Limited	109,900,000	–	–	109,900,000	5.80%

Note:

- (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 September 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.

CHANGES IN INFORMATION OF DIRECTORS

There are no 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 2016/17.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 30 September 2017 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 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 September 2017
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
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.

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 2017.

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 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.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 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 six months ended 30 September 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 an 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 six months ended 30 September 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, 8 November 2017