



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

*(Incorporated in Cayman Islands with limited liability)*  
(Stock code: 8206)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

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*This announcement, for which the directors (the “Directors”) of Shentong Robot Education Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **CHAIRMAN’S STATEMENT**

On behalf of the Board of the Directors (the “Board”), I am pleased to present the audited consolidated results of Shentong Robot Education Group Company Limited (“Shentong Robot Education” or the “Company”, together with its subsidiary companies, the “Group”) for the year ended 31 March 2018 (the “Year”).

## **FINANCIAL PERFORMANCE**

The Group’s revenue were mainly attributable to the provision of robotics education and other business in the People’s Republic of China (the “PRC”), including robotics competitions and promotion and management services of “Shentong Card”. Upon completion of the acquisition of the entire equity interest of 黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Co., Ltd.#) (“Heilongjiang Shentong”) in May 2016, the Group successfully created a new source of revenues from industries related to robotics education and achieved continuous improvement in profitability.

The Group recorded consolidated revenue of approximately HK\$141,482,000 for the year ended 31 March 2018, representing an increase of approximately 54.6% as compared to approximately HK\$91,507,000 for the year ended 31 March 2017. For the Year, the Group recorded approximately HK\$27,602,000 in profit attributable to owners of the Company, representing an increase of approximately 617.7% as compared to the approximately HK\$3,846,000 for the year ended 31 March 2017. The Group’s gross profit increased by 67.1% year-on-year to approximately HK\$92,807,000, and gross profit margin increased approximately 4.9 percentage points years-to-year to approximately 65.6%. The business growth was mainly attributable to the increase in revenue from the robotics education business from approximately HK\$60,050,000 for the year ended 31 March 2017 to approximately HK\$110,062,000 for the year ended 31 March 2018.

## **ROBOTICS EDUCATION RELATED ACTIVITIES REVIEW**

The robotics education which combines technology, education and practice has developed rapidly in the Year. As one of the leading regions of the PRC in the development of robotics education, Heilongjiang Province has deepened the integrated development of sports, education and technology through the innovative robot sports in recent years.

Robot sports in the PRC has been recognised as one of the 108 national social sports programmes by the General Administration of Sport of China (“GASC”). National Robot Sports Competition is the only robot sports event hosted by the GASC. The GASC attaches great importance to the development of robot sports and has formulated the China Quality Robotics Sports Generic Competition rules (《中國素質體育機器人運動通用競賽規則》) to lay a good foundation for robot sports. On the other hand, the Ministry of Education incorporated robotics education into one of the eight major national school sports leagues, and approved the establishment of the National School Sports Robot League (the “NSSRL”) (全國學校體育機器人聯盟) to deploy robotics-related work, marking the commencement of

# *English name is for identification purpose only*

sports robot movement nationwide. The NSSRL is jointly guided by the Ministry of Education and the GASC, and joined by universities, secondary schools and primary schools, vocational schools in the PRC in the name of school; with the parent company of the Group as the Secretary General of the NSSRL to be responsible for its daily matters. The NSSRL established the Working Committee of the NSSRL (全國學校體育聯盟機器人工作委員會) as a permanent management agency responsible for the day-to-day management of robotics education, examination and appraisal, membership applications, as well as providing robotics learning resources and support services for students in universities, secondary and primary schools to promote learning and practicing robotics-related knowledge and skills.

The Group is the only enterprise in Heilongjiang Province authorised to host robot sports competitions and provide robotics-related education and training business for the entire province (collectively, the “Robotics Education”). The Robotics Education in Heilongjiang Province has become the main driving force of business growth of the Group.

The Group has always been committed to develop robot sports into one of the important events in the national fitness activities of the PRC. In the past year, in addition to actively participating in various robot sports events in Heilongjiang Province, the Group also strived to create a high-end robotics education platform to nurture high-quality robot sports professionals, aiming at making greater contributions to the development of robotics education in the PRC.

Through organising diversified robotics education events in Heilongjiang Province, such as sports events, competition experience, course promotion, and experiential programmes, the Group successfully encouraged the development of local robotics education business and gained extensive market and social recognition. In November 2017, the China Robot Sports Rank Examination (中國機器人運動等級考試) organised by the China Robot Sports Working Committee (中國機器人運動工作委員會) and the Working Committee of the NSSRL was held in the Heilongjiang Province. In addition to the robotics-related expertise assessment on students in the province, the examination further propagated the robotics discipline and the concept of education in robot sports, and thus facilitating the development in areas such as robotics-related external communication and competitions. Meanwhile, the National Robot Competition Equipment Testing and Certification Center (國家機器人運動器材檢測認證中心) and the National Robot Teaching Equipment Testing and Certification Center (國家機器人教學器材檢測認證中心) were established in the Harbin Institute of Technology in the Heilongjiang Province, by which a national mechanism for standard testing and accreditation in the PRC was formally activated, effectively promoting the standardisation process of robotics education in the PRC.

## **BUSINESS REVIEW AND PROSPECTS**

According to the Report on the Development of the Robotics Industry in China for 2017 (《中國機器人產業發展報告(2017年)》) issued by the Chinese Institute of Electronics, the scale of the global robotics market is continuously expanding. The trend of future technological innovation will facilitate China's continuous cultivation of smart technology talents. Under the guidance of developing intellectual innovation, the Group will exert its own advantages in robotics education, sports, competitions, international exchanges, and etc., and actively cooperate with various institutions in Heilongjiang Province to negotiate and carry out robotics education-related projects and promotion of international exchanges, so as to achieve a new milestone with the national education.

### **Generate education income through competitions**

In the coming year, the Group will start with the youth's spirit of seeking knowledge in the field of science, technology and sports to plan diversified scientific experiences, in order to create a broad education platform for students and broaden their vision of science and technology and worldview. In April 2018, the "First Robotics Competition for University Students in Heilongjiang Province" was successfully held by the Department of Education of Heilongjiang Province and sponsored by the Group and Harbin Branch of China Mobile. It attracts nearly 500 students from around 40 universities and colleges. On the other hand, with the support from the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and the Physical Education, Health and Art Department at the Ministry of Education (教育部體育衛生與藝術教育司), the Group will host the "China Communication Cup First National Robotic Football Competition" in Daqing, Heilongjiang Province in August 2018. It is expected to be a football match using robots as the tools for competition, which will effectively raise the reputation of robot sports in Heilongjiang Province and drive the development of robotics education business of the Group.

### **The popularity of robotics education to boost considerable growth**

With strengthened national policy support, the robotics education in Heilongjiang Province and throughout the country is expected to develop steadily. In the future, the Group will actively cooperate with the NSSRL to discuss how to improve the robotics education structure in order to provide students with quality and standardised practical teaching activities. "Robotics Curriculum Guide for Secondary and Primary Schools" (機器人學中小學課程教學指南) by the Ministry of Education was approved by experts in the beginning of 2016, setting clear standards and norms for the robotics education curriculum in primary and secondary schools in the PRC, and also laying a solid foundation for promoting the school-based teaching of robotics in the PRC. On the other hand, we will actively cooperate with the Robot Sports Association of Heilongjiang Province, take all efforts to promote robotics education and robotics competitions in Heilongjiang Province, and promote the vigorous development of national robotics-related business in Heilongjiang Province as well as throughout the country. Starting from May 2018, various types of robot-themed activities for primary and secondary school students have been organised in Heilongjiang, Beijing, Shandong and other places. At the past International Children's Day on 1 June, the Working Committee of the NSSRL teamed up with members of the League and the China Robot Competition Commission to organise various robot-themed activities for students in kindergartens, primary and secondary

schools in the forms of competitions, exhibitions and teaching, demonstrating the charm of robotics education. It greatly strengthen the development of robotics education and robot sports throughout the country.

Advocation of robotics education, compliance with the national policy to be talent-oriented, and support innovation and technology have become key elements in supporting the business growth of the Group. To sum up, the Group will continue to leverage its first-mover advantages in China robotics education, to develop more robotics education programmes, and strive to optimise the portfolio of businesses along the entire industry chain. According to information from the Department of Education of Heilongjiang Province, as of the end of 2017, there were about 10,000 academic schools of various levels of education in Heilongjiang Province, with nearly 4.6 million students; and over 5,000 non-governmental schools and educational institutions with nearly 210,000 registered students. The robotics education courses provided by the Group becomes more extensive. The number of participants in new items, including robotic football, racing, obstacles, and task events, has also increased. In addition to continue to deepen the development of the operating networks of Harbin City and Daqing City, the Group has successfully expanded its business to Anda City and Qiqihar City. We will continue to expand the robotics education business in Heilongjiang Province to attract more students and teachers to become a part of our robotics education, so as to facilitate a continuous increase in the Group's operating income and create long-term value for the Group and its shareholders.

### **Shoulder the mission to support innovation and technology**

The unstoppable wave of innovation and technology is sweeping through the entire world. The HKSAR government has proposed in its latest budget to invest into the development of the "Hong Kong-Shenzhen Innovation and Technology Park" in the Lok Ma Chau Loop, including capital injection to the Innovation and Technology Fund and support for the construction of technology and innovation platforms to attract top-quality scientific research institutions and technology companies in the world to establish a presence in Hong Kong. President XI Jinping also indicated that he attaches importance to the development of scientific research in Hong Kong and emphasised cooperation between Hong Kong and the Mainland on technology to support Hong Kong as an international innovation and technology centre. As a listed company in Hong Kong, the Group will perform its responsibilities and obligations to actively participate in the development of innovation and technology and education in Hong Kong. We will seriously consider extending our existing robotics education-related business into the innovation and technology field in Hong Kong. We believe that, the robot sports events and education courses organised by the Group will promote the importance of sports and technology among the general public, as well as inspire and guide the younger generation to join the innovation and technology industry to develop Hong Kong into an international innovation and technology centre together.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders for their tremendous support and to my fellow Directors and our management and staff for their dedication and contribution in the past year.

## RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2018, together with the comparative figures for the corresponding year ended 31 March 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	3	<b>141,482</b>	91,507
Cost of sales		<u>(48,675)</u>	<u>(35,967)</u>
<b>Gross profit</b>		<b>92,807</b>	55,540
Other income	4	<b>338</b>	1,655
Selling and distribution expenses		<b>(18,016)</b>	(13,636)
Administrative expenses		<b>(25,454)</b>	(29,702)
Other operating expenses		<u>(2,719)</u>	<u>(456)</u>
<b>Profit from operations</b>		<b>46,956</b>	13,401
Finance costs	6	<u>(1,891)</u>	<u>(1,894)</u>
<b>Profit before tax</b>		<b>45,065</b>	11,507
Income tax expense	7	<u>(17,463)</u>	<u>(7,661)</u>
<b>Profit for the year attributable to owners of the Company</b>	8	<u><b>27,602</b></u>	<u>3,846</u>
		<i>HK cent</i>	<i>HK cent</i>
<b>Earnings per share</b>			
Basic (cents per share)	10(a)	<u><b>1.51</b></u>	<u>0.24</u>
Diluted (cents per share)	10(b)	<u><b>N/A</b></u>	<u>N/A</u>



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 MARCH 2018*

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>27,602</b>	3,846
<b>Other comprehensive income</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>47,300</u>	<u>(20,354)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<u><b>74,902</b></u>	<u>(16,508)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2018**

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>13,863</b>	5,416
Goodwill		<b>40,190</b>	36,302
Intangible assets	<i>11</i>	<b>413,792</b>	371,929
<b>Total non-current assets</b>		<b>467,845</b>	413,647
<b>Current assets</b>			
Inventories		–	54
Prepayments, deposits and other receivables	<i>12</i>	<b>52,868</b>	32,582
Bank and cash balances		<b>146,589</b>	92,525
<b>Total current assets</b>		<b>199,457</b>	125,161
<b>TOTAL ASSETS</b>		<b>667,302</b>	538,808
<b>EQUITY AND LIABILITIES</b>			
Share capital	<i>15</i>	<b>18,957</b>	16,557
Reserves		<b>255,220</b>	74,869
<b>Total equity</b>		<b>274,177</b>	91,426
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Promissory note	<i>13</i>	<b>105,734</b>	–
Deferred tax liabilities		<b>105,698</b>	95,014
<b>Total non-current liabilities</b>		<b>211,432</b>	95,014
<b>Current liabilities</b>			
Education course obligation (Formerly known as “Training course obligation”)		<b>38,841</b>	21,581
Receipt in advance		<b>12</b>	129
Accruals and other payables	<i>14</i>	<b>109,912</b>	209,590
Promissory note	<i>13</i>	–	103,843
Current tax liabilities		<b>32,928</b>	17,225
<b>Total current liabilities</b>		<b>181,693</b>	352,368
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>667,302</b>	538,808



## NOTES:

### 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

#### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. None of these impact on the accounting policies of the Group.

#### *Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

**(b) New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's first quarterly report for the three months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

***HKFRS 9 Financial Instruments***

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

#### *Impairment*

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group does not expect the application of HKFRS 9 would have significant impact on the recognition of impairment loss.

#### ***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

#### *Timing of revenue recognition*

Currently, revenue arising from the provision of management services and education is recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for service at a single point in time, being when control has passed.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of management services and education.

### ***HKFRS 16 Leases***

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office properties leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK\$18,236,000 as at 31 March 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

### ***HK(IFRIC) 23 Uncertainty over Income Tax Treatments***

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

### **3. REVENUE**

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Promotion and management services income from 神州通信集團有限公司 China Communication Group Company Limited# (“CCC”)	<b>31,420</b>	31,457
Robotics Education and Others	<b>110,062</b>	60,050
	<b>141,482</b>	91,507

### **4. OTHER INCOME**

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Exchange gain	–	90
Interest income	<b>338</b>	89
Sundry income	–	12
Gain on waiver of other payables	–	1,464
	<b>338</b>	1,655

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## 5. 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 Education and Others (Formerly known as “Robotics training course and others”) | – Organising and hosting of China Robot Competition (“CRC”) and provision of CRC education course in Heilongjiang Province in the PRC. |

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Each of the above operating segments corresponds to related subsidiaries engaging in the respective segment activities.

Segment profits or losses do not include finance costs, income tax expense and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

Information about operating segments' profit or loss, assets and liabilities:

	2018			2017		
	Promotion and management services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	Promotion and management services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March</b>						
Revenue from external customer (including related companies)	31,420	110,062	141,482	31,457	60,050	91,507
Segment profit	3,842	60,110	63,952	5,844	28,598	34,442
Interest income	80	256	336	61	27	88
Depreciation and amortisation	406	4,721	5,127	553	2,856	3,409
Gain on waiver of other payables ( <i>note 4</i> )	-	-	-	-	1,464	1,464
Additions to segment non-current assets:						
— Acquisition of subsidiaries	-	-	-	-	435,767	435,767
— Purchase of intangible assets ( <i>note 11</i> )	-	2,226	2,226	-	-	-
— Purchases of property, plant and equipment	141	12,127	12,268	1,043	818	1,861
	141	14,353	14,494	1,043	436,585	437,628
<b>As at 31 March</b>						
Segment assets	47,382	630,996	678,378	39,420	498,026	537,446
Segment liabilities	2,180	249,496	251,676	1,403	229,046	230,449



Reconciliations of segment revenue, profit, assets and liabilities:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	<u>141,482</u>	<u>91,507</u>
Consolidated revenue	<u><u>141,482</u></u>	<u><u>91,507</u></u>
<b>Profit or loss</b>		
Total profit of reportable segments	<b>63,952</b>	34,442
Finance costs	<b>(1,891)</b>	(1,894)
Income tax expense	<b>(17,463)</b>	(7,661)
Unallocated amounts:		
Consultancy fee	<b>(780)</b>	(650)
Directors' emoluments and allowances	<b>(4,006)</b>	(5,174)
Legal and professional fee	<b>(1,509)</b>	(3,151)
Rent	<b>(2,461)</b>	(2,401)
Salaries and share-based payments	<b>(5,067)</b>	(6,167)
Other unallocated head office and corporate expenses	<b>(3,173)</b>	(3,498)
Consolidated profit for the year	<u><u>27,602</u></u>	<u><u>3,846</u></u>
<b>Assets</b>		
Total assets of reportable segments	<b>678,378</b>	537,446
Elimination of intersegment assets	<b>(117,915)</b>	(2,915)
Unallocated assets:		
Amount due from reportable segment	<b>105,000</b>	–
Bank and cash balances	<b>704</b>	3,168
Other unallocated head office and corporate assets	<b>1,135</b>	1,109
Consolidated total assets	<u><u>667,302</u></u>	<u><u>538,808</u></u>
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>251,676</b>	230,449
Elimination of intersegment assets	<b>(117,915)</b>	(2,915)
Current tax liabilities	<b>32,928</b>	17,225
Deferred tax liabilities	<b>105,698</b>	95,014
Promissory note	<b>105,734</b>	103,843
Other unallocated head office and corporate liabilities	<b>15,004</b>	3,766
Consolidated total liabilities	<u><u>393,125</u></u>	<u><u>447,382</u></u>

## Geographical information

No separate analysis of segment information by geographical is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

## Revenue from major customer

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
CCC — Promotion and management services segment	<u><b>31,420</b></u>	<u>31,457</u>

## 6. FINANCE COSTS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on promissory note payable to China Communication Investment Limited (“CCI”)	<u><b>1,891</b></u>	<u>1,894</u>

## 7. INCOME TAX EXPENSE

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax — PRC		
Provision for the year	<b>16,821</b>	7,966
Under/(over)-provision in prior year	<b>162</b>	(305)
Deferred tax	<u><b>480</b></u>	<u>—</u>
	<u><b>17,463</b></u>	<u>7,661</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2018 and 2017.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Profit before tax	<u>45,065</u>	<u>11,507</u>
Tax at the PRC Enterprise Income Tax rate of 25% (2017: 25%)	<b>11,266</b>	2,876
Tax effect of temporary differences not recognised	<b>460</b>	(19)
Tax effect of expenses that are not deductible	<b>5,575</b>	5,109
Under/(over)-provision in the prior year	<u>162</u>	<u>(305)</u>
Income tax expense	<u><u>17,463</u></u>	<u><u>7,661</u></u>

## 8. PROFIT FOR THE YEAR

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

	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
Auditor's remuneration		
— audit services	<b>650</b>	650
— other services	<b>578</b>	700
	<b>1,228</b>	1,350
Amortisation of intangible assets		
— included in cost of sales	<b>309</b>	—
Acquisition related costs	—	2,469
Cost of sales		
Allowance on inventories	<b>56</b>	—
Depreciation	<b>4,840</b>	3,427
Operating lease charges for land and buildings	<b>7,960</b>	5,917
Legal and professional fee (excluding auditor's remuneration)	<b>1,522</b>	3,164
Loss on disposal of property, plant and equipment	—	364
Property, plant and equipment written off	<b>13</b>	90
Gain on waiver of other payables ( <i>note 4</i> )	<u>—</u>	<u>(1,464)</u>

## 9. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2017: Nil).

## 10. EARNINGS PER SHARE

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>27,602</u>	<u>3,846</u>

### (a) Basic earnings per share

	<b>2018</b>	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,833,888,798</u>	<u>1,610,201,127</u>

### (b) Diluted earnings per share

No diluted earnings per share was presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 March 2018 and 2017.

## 11. INTANGIBLE ASSETS

	<b>Distribution network</b> <i>HK\$'000</i>	<b>Service contract</b> <i>HK\$'000</i>	<b>Exclusive Rights</b> <i>HK\$'000</i> <i>(note (i))</i>	<b>Mobile Application</b> <i>HK\$'000</i> <i>(note (ii))</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>					
At 1 April 2016	70,643	175,626	–	–	246,269
Acquisition of subsidiaries	–	–	390,514	–	390,514
Exchange differences	(4,075)	(10,130)	(18,585)	–	(32,790)
At 31 March 2017 and 1 April 2017	66,568	165,496	371,929	–	603,993
Additions	–	–	–	2,226	2,226
Exchange differences	7,129	17,724	39,833	132	64,818
At 31 March 2018	73,697	183,220	411,762	2,358	671,037
<b>Accumulated amortisation and impairment losses</b>					
At 1 April 2016	70,643	175,626	–	–	246,269
Exchange differences	(4,075)	(10,130)	–	–	(14,205)
At 31 March 2017 and 1 April 2017	66,568	165,496	–	–	232,064
Amortisation for the year	–	–	–	309	309
Exchange differences	7,129	17,724	–	19	24,872
At 31 March 2018	73,697	183,220	–	328	257,245
<b>Carrying amount</b>					
At 31 March 2018	–	–	411,762	2,030	413,792
At 31 March 2017	–	–	371,929	–	371,929

*Notes:*

- (i) Exclusive Rights represent the 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 Heilongjiang Province of the PRC.

Heilongjiang Shengtong Cultural Club Company Limited (“Heilongjiang Shengtong”), a subsidiary of the Company, was authorised by Beijing Shengtong Culture Club Co., Ltd. (“Beijing Shengtong”), and consented by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and further confirmed by the Heilongjiang Province Sports Federation (黑龍江省體育總會) and the Harbin Municipal Sports Federation (哈爾濱市體育總會) to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC.

Pursuant to CRC Organisation Contract, Beijing Shengtong obtained from the Social Sports Direction Centre of the General Administration of Sport, among other things, the rights to organise and develop CRC competition events and to provide CRC education and training courses at a national level for an initial period from 9 May 2011 to 31 December 2016, upon the expiry of which the CRC Organisation Contract would be automatically extended. Each extension shall be for a duration of five years if the parties have no objection. The parties intend to form a long-term cooperation relationship, and that the CRC Organisation Contract shall remain effective for a long-term.

Pursuant to the Heilongjiang CRC Authorisation Supplemental Agreement, so long as the co-operation period between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shengtong under the CRC Organisation Contract remains effective, the authorisation granted by Beijing Shengtong to Heilongjiang Shengtong would be automatically extended indefinitely unless terminated by Heilongjiang Shengtong by written notice.

Pursuant to the CRC Shengtong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement, CCC granted to Heilongjiang Shengtong the long-term and exclusive right to use the CRC Shengtong Card payment system. The CRC Shengtong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement shall be effective and extended indefinitely unless terminated by Heilongjiang Shengtong.

Exclusive Rights of the Group are regarded and assessed to have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

As the economic benefits arising from these intangible assets are totally integrated with Robotics Education and Others, these carrying amount have been taken into consideration for the impairment assessment of goodwill allocated to this segment.

- (ii) Mobile Application represents the mobile phone software to facilitate education course, CRC competition enrollment and attendance management. The amortisation period is 3 years and the remaining life is 2.58 years. (2017: N/A)

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Amount due from a substantial shareholder ( <i>note a</i> )	<b>43,956</b>	25,687
Amounts due from related companies ( <i>note b</i> )	<b>469</b>	2,241
Other receivables	<b>675</b>	289
Prepayments and deposits	<b>7,768</b>	4,365
	<u><b>52,868</b></u>	<u>32,582</u>

### *Notes:*

- (a) The amount due from CCC, a substantial shareholder of the Company is denominated in RMB, unsecured, interest-free and repayable on demand.
- (b) The amounts due from related companies are denominated in RMB, unsecured, interest-free and repayable on demand.

## 13. PROMISSORY NOTE

As at 31 March 2018, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2017: HK\$94,427,000).

On 31 May 2017, the Group and CCI agreed to extend the maturity date from 30 June 2017 to 30 June 2018. On 31 March 2018, the Group and CCI agreed to extend the maturity date from 30 June 2018 to 30 June 2019.

The principal amount of the promissory note is denominated in HK\$. The promissory note is unsecured. As at 31 March 2018, the coupon rate is 2% per annum (2017: 2% per annum) and the effective interest rate is 1.79% (2017: 1.86%).



## 14. ACCRUALS AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amount due to a substantial shareholder ( <i>note a</i> )	95,100	200,100
Amount due to a related company ( <i>note b</i> )	564	564
Accrued salaries	3,809	1,419
Accrued expenses	2,670	1,286
Security deposits ( <i>note c</i> )	5,624	5,080
Other payables	2,145	1,141
	<u>109,912</u>	<u>209,590</u>

*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 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.

## 15. SHARE CAPITAL

	2018		2017	
	Number of shares	Amount <i>HK\$'000</i>	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each				
At the beginning and the end of the year	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each				
At the beginning of the year	1,655,697,017	16,557	1,294,697,017	12,947
Shares issued upon subscription ( <i>note</i> )	<u>240,000,000</u>	<u>2,400</u>	<u>361,000,000</u>	<u>3,610</u>
At the end of the year	<u>1,895,697,017</u>	<u>18,957</u>	<u>1,655,697,017</u>	<u>16,557</u>

*Notes:*

- (i) On 3 May 2016, the Company entered into CCI Subscription Agreement (as defined in the announcement of the Company dated the same) 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 Subscription Agreements (as defined in the announcement of the Company dated the same) with 6 independent investors in respect of 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 Subscription Agreements were completed on 16 May 2016.
- (ii) On 21 June 2017, the Company entered into Subscription Agreements (as defined in the announcement of the Company dated the same) 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 Subscription Agreements were completed on 4 July 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue and Profitability**

The Group recorded a revenue of approximately HK\$141,482,000 (2017: HK\$91,507,000) for the year ended 31 March 2018, representing an increase of approximately 54.6% as compared with the year ended 31 March 2017 which was primarily due to the growth of the Robotics Education and Others.

The Group's gross profit for the year ended 31 March 2018 amounted to approximately HK\$92,807,000 as compared to approximately HK\$55,540,000 for the year ended 31 March 2017. The increase was mainly attributable to the growth of the Robotics Education and Others.

Selling and distribution and administrative expenses for the year ended 31 March 2018 was approximately HK\$43,470,000 as compared to approximately HK\$43,338,000 for the year ended 31 March 2017.

### **Profit Attributable to Owners of the Company**

The Group made a profit attributable to owners of approximately HK\$27,602,000 for the year ended 31 March 2018 as compared to approximately HK\$3,846,000 for the year ended 31 March 2017. 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 5.

### **Liquidity and Financial Resources**

As at 31 March 2018, 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\$105.7 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 March 2018, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date to 30 June 2019. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2018 (as at 31 March 2017: Nil).

As at 31 March 2018, the Group had net current assets of approximately HK\$17.8 million (as at 31 March 2017: net current liabilities of approximately HK\$227.2 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK\$146.6 million (as at 31 March 2017: approximately HK\$92.5 million) and prepayments, deposits and other receivables of approximately HK\$52.9 million (as at 31 March 2017: approximately HK\$32.6 million). The Group's current liabilities mainly include accruals and other payables of approximately HK\$109.9 million (as at 31 March 2017: approximately HK\$209.6 million), current tax liabilities of approximately HK\$32.9 million (as at 31 March 2017: approximately HK\$17.2 million) and education course obligation of approximately HK\$38.8 million (as at 31 March 2017: approximately HK\$21.6 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 31 March 2018, the gearing ratio was 38.6% (as at 31 March 2017: 113.6%).

### **Capital Structure**

On 4 July 2017, 240,000,000 new ordinary shares were issued and allotted to two subscribers, namely, Mr. Cao Bingsheng and Mr. Liang Haiqi, by way of subscription at HK\$0.45 per share (the "Subscription"). The aggregate nominal value of the new shares issued was HK\$2,400,000. The net proceeds of the Subscription (after deducting related professional fees and related expenses) were approximately HK\$107.8 million (equivalent to approximately HK\$0.449 per share), 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 year.

### **Charge on Assets**

The Group did not have any charge on its assets as at 31 March 2018 and 31 March 2017.

### **Employees, Remuneration Policies and Staff Costs**

As at 31 March 2018, the Group had 96 employees (2017: 100). The staff costs for the year ended 31 March 2018 was approximately HK\$20.8 million (2017: HK\$20.3 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 year ended 31 March 2018 and 31 March 2017, the Group had no significant investment. As at 31 March 2018, 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**

There were no 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 31 March 2018 and 31 March 2017.

## **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 year ended 31 March 2018.

## **CAPITAL COMMITMENTS**

The non-cancellable capital commitment as at 31 March 2018 is approximately HK\$1,168,000 (2017: HK\$3,990,000).

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2018. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES**

The Company acknowledges that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. Save as disclosed below, the Group has adopted the practices and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2018.

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 the 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”) and the extraordinary general meeting held on 29 March 2018 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 of the Company at the 2017 AGM.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code. The key principles and practices of the Company are summarised below.

### **APPROPRIATIONS**

The Directors do not recommend the payment of any dividends during the year.

### **AUDIT COMMITTEE**

For the year ended 31 March 2018, the Audit Committee of the Company (the “Audit Committee”) held five meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

- Annual report for the year ended 31 March 2017;
- Quarterly reports for the first quarter and third quarter of 2017/18;

- Interim report for the first six months of 2017/18; and
- Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2018 have been reviewed by the audit committee, who is of the opinion that such statements have complied with the applicable accounting standards and the requirements of the GEM Listing Rules, and that adequate disclosures have been made.

## **SCOPE OF WORK OF RSM HONG KONG**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Friday, 3 August 2018 at Units, 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Notice of the annual general meeting of the Company will be sent to the shareholders of the Company.

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

Hong Kong, 15 June 2018

*As at the date of this announcement, the executive Directors are Mr. He Chenguang and Mr. Bao Yueqing and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li.*

*This announcement will remain at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at [www.srobotedu.com](http://www.srobotedu.com).*