



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Revenue of the Group for the nine months ended 31 December 2017 was approximately HK\$101,466,000.
- Profit attributable to owners of the Company was approximately HK\$20,882,000 for the nine months ended 31 December 2017.
- Earnings per share for the nine months ended 31 December 2017 was approximately HK1.15 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the nine months ended 31 December 2017.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2017.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$101,466,000 for the nine months ended 31 December 2017, representing an increase of approximately 49.1% as compared to approximately HK\$68,041,000 for the nine months ended 31 December 2016. The revenue for the nine months ended 31 December 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\$20,882,000 for the nine months ended 31 December 2017, representing an increase of approximately 992.7% as compared to approximately HK\$1,911,000 for the nine months ended 31 December 2016. The improvement was mainly due to the increase in revenue from the Training Business from approximately HK\$43,294,000 for the nine months ended 31 December 2016 to approximately HK\$78,851,000 for the nine months ended 31 December 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.

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. For the nine months ended 31 December 2017, the revenue generated from the Training Business was approximately HK\$78,851,000, representing an increase of approximately 82.1% as compared to approximately HK\$43,294,000 for the nine months ended 31 December 2016. For the nine months ended 31 December 2017, the revenue generated from the Shentong Card Business amounted to approximately HK\$22,615,000, representing a decrease of approximately 8.6% as compared to approximately HK\$24,747,000 for the nine months ended 31 December 2016. The CRC Quality Education in the Heilongjiang Province is a key driver of the Group's business growth. The Group's participation in a wide range of quality education programmes in the Heilongjiang Province encouraged the development of the training business of the Group, and laid a broad foundation for the local CRC training centres and related competitions.

In the second half of 2017, great progress was achieved in terms of promoting quality robot education in the Heilongjiang Province. In November 2017, the China Robotics 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 National School Sports Robot League (全國學校體育聯盟機器人工作委員會) was held in the Heilongjiang Province, by which recognition and support from schools and training centres were enlisted in the 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 quality education in robot sports, and thus facilitating the development in areas such as robotics-related external communication and competitions among schools and training centres in the Heilongjiang Province. In addition, 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 in December 2017, by which a national mechanism for standard testing and accreditation in China was formally activated. The Group expects the two testing and certification centres to assist in integrating robot teaching and competition resources in the Heilongjiang Province, and formulating national standards and accreditation systems on the design, manufacturing, promotion, application and safety assessment of robot teaching and competition equipment, as well as effectively promoting the standardisation process of China quality robot education.

In view of the growing maturity of quality education programmes in China, the Group continues to take advantage of new expansion opportunities arising in the field of quality education in China, in order to popularise and facilitate the development of local quality robot education and continuously explore business related to quality education in China, thereby broadening the revenue base of the Group.

[#] English name is for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2017

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	35,872	25,441	101,466	68,041
Cost of sales		<u>(11,863)</u>	<u>(9,647)</u>	<u>(34,317)</u>	<u>(25,808)</u>
Gross profit		24,009	15,794	67,149	42,233
Other income	4	85	348	239	571
Selling and distribution expenses		(4,876)	(2,917)	(13,378)	(9,178)
Administrative expenses		(6,078)	(5,804)	(17,808)	(22,850)
Other operating expenses		<u>(529)</u>	<u>–</u>	<u>(1,601)</u>	<u>(549)</u>
Profit from operations		12,611	7,421	34,601	10,227
Finance costs	5	<u>(475)</u>	<u>(478)</u>	<u>(1,423)</u>	<u>(1,423)</u>
Profit before tax		12,136	6,943	33,178	8,804
Income tax expense	6	<u>(4,670)</u>	<u>(3,083)</u>	<u>(12,296)</u>	<u>(6,893)</u>
Profit for the period attributable to owners of the Company	7	<u>7,466</u>	<u>3,860</u>	<u>20,882</u>	<u>1,911</u>
		HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)
Earnings per share	9				
Basic (cents per share)		<u>0.39</u>	<u>0.23</u>	<u>1.15</u>	<u>0.12</u>
Diluted (cents per share)		<u>N/A</u>	<u>0.23</u>	<u>N/A</u>	<u>0.12</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	7,466	3,860	20,882	1,911
Other comprehensive income, net of tax:				
<i>Item that may be reclassified to profit or loss:</i>				
— Exchange differences on translating foreign operations	<u>9,260</u>	<u>(17,764)</u>	<u>26,890</u>	<u>(26,693)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>16,726</u>	<u>(13,904)</u>	<u>47,772</u>	<u>(24,782)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Merger reserve HK\$'000 (Unaudited)	Foreign currency translation reserve HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (unaudited)	Share-based payment reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2016	12,947	1,072,549	8,320	643	625	–	(1,170,916)	(75,832)
Share-based payments	–	–	–	–	–	3,316	–	3,316
Share issued upon subscription (note (a))	3,610	176,840	–	–	–	–	–	180,450
Total comprehensive income for the period	–	–	–	(26,693)	–	–	1,911	(24,782)
Changes in equity for the period	3,610	176,840	–	(26,693)	–	3,316	1,911	158,984
At 31 December 2016	<u>16,557</u>	<u>1,249,389</u>	<u>8,320</u>	<u>(26,050)</u>	<u>625</u>	<u>3,316</u>	<u>(1,169,005)</u>	<u>83,152</u>
At 1 April 2017	16,557	1,249,389	8,320	(19,711)	625	3,316	(1,167,070)	91,426
Share issued upon subscription (note (b))	2,400	105,449	–	–	–	–	–	107,849
Total comprehensive income for the period	–	–	–	26,890	–	–	20,882	47,772
Changes in equity for the period	2,400	105,449	–	26,890	–	–	20,882	155,621
At 31 December 2017	<u>18,957</u>	<u>1,354,838</u>	<u>8,320</u>	<u>7,179</u>	<u>625</u>	<u>3,316</u>	<u>(1,146,188)</u>	<u>247,047</u>

- (a) 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 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 Investor Subscription Agreements were completed on 16 May 2016.
- (b) On 21 June 2017, the Company entered into Investor Subscription Agreements with 2 independent investors in respect of 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.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION

For the nine months ended 31 December 2017

1. GENERAL

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 P.O. 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

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

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

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

The Group had net current liabilities of approximately HK\$99,439,000 as at 31 December 2017. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors had adopted the going concern basis in the preparation of this Financial Information of the Group based on the following:

- (a) On 15 November 2016, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the repayment date to 15 November 2017 for an amount of HK\$95,100,000 due to CCI. 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.

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Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the directors are therefore of the opinion that it is appropriate to prepare the this Financial Information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the Financial Information 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. REVENUE

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Promotion and management services income from CCC	7,991	7,124	22,615	24,747
Robotics training course and others	27,881	18,317	78,851	43,294
	<u>35,872</u>	<u>25,441</u>	<u>101,466</u>	<u>68,041</u>

4. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Exchange gain	–	320	–	320
Interest income	85	19	239	70
Sundry income	–	9	–	9
Gain on disposals of property, plant and equipment	–	–	–	172
	<u>85</u>	<u>348</u>	<u>239</u>	<u>571</u>

5. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on promissory note payable to CCI	475	478	1,423	1,423

6. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
— Provision for the period	4,670	3,083	12,237	6,893
Deferred tax	<u>—</u>	<u>—</u>	<u>59</u>	<u>—</u>
	4,670	3,083	12,296	6,893

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three-month and nine-month periods ended 31 December 2017 and 2016.

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

7. PROFIT FOR THE PERIOD

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	1,235	1,244	3,266	2,806
Directors' emoluments	921	891	2,775	3,983
Legal and professional fee	234	335	424	3,332
Operating lease charges for land and buildings	1,884	1,164	5,262	4,148
Gain on disposal of property, plant and equipment	—	—	—	(172)
Property, plant and equipment written off	—	—	22	549
Employee benefits expense including directors' emoluments				
— Salaries, bonus and allowances	3,970	3,130	12,521	9,274
— Equity-settled share based payments	—	—	—	3,316
— Retirement benefits scheme contributions	390	225	994	713
	4,360	3,355	13,515	13,303

8. DIVIDENDS

No dividends have been paid or proposed during the three months and nine months ended 31 December 2017, nor has any dividend been proposed since the end of reporting period (three months and nine months ended 31 December 2016: HK\$Nil).

9. EARNINGS PER SHARE

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

(a) Basic earnings per share

	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings				
Earnings for the purpose of calculating basic and diluted earnings per share	<u>7,466</u>	<u>3,860</u>	<u>20,882</u>	<u>1,911</u>
Number of shares				
	For the three months ended 31 December 2017 (Unaudited)	2016 (Unaudited)	For the nine months ended 31 December 2017 (Unaudited)	2016 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,895,697,017</u>	<u>1,656,224,490</u>	<u>1,813,660,653</u>	<u>1,596,640,068</u>

(b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the three-month and nine-month periods ended 31 December 2017 and 31 December 2016.

OTHER INFORMATION

Interests and short positions of Directors and chief executives in shares and underlying shares and debentures

As at 31 December 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		
He Chenguang	–	–	–	–	2,000,000
Bao Yueqing	2,844,000	–	2,844,000	0.15%	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 31 December 2017.

Interests and short positions of shareholders in shares and underlying shares

As at 31 December 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 (<i>Note 1</i>)	–	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 (<i>Note 2</i>)	–	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 a 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 he 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 31 December 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

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the directors' term of office. With effect from 1 January 2018, Mr. He Chenguang's and Mr. Bao Yueqing's remuneration were revised to HK\$170,000 and HK\$120,000 per month respectively. The remuneration was determined based on their qualifications, experience, level of responsibilities and prevailing market conditions.

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

Share option scheme

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed on 7 August 2013. Details of the 2013 Share Option Scheme have been set out in the Company's annual report of year 2016/17.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 31 December 2017 were as follows:

					Number of share options					
Name or category of participant	Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Closing price immediately before date of grant <i>HK\$</i>	As at	Granted	Exercised	Lapsed	Cancelled	As at
					1 April	during	during	during	during	31 December
					2017	the period	the period	the period	the period	2017
Directors										
He Chenguang	26 August 2016	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	0.53	2,000,000	–	–	–	–	2,000,000
Bao Yueqing	26 August 2016	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	0.53	5,000,000	–	–	–	–	5,000,000
Sub-total					<u>7,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,000,000</u>
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					<u>18,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,000,000</u>

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 nine months ended 31 December 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 nine months ended 31 December 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 third quarterly results of the Group for the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2017.

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

As at the date of this announcement, 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, 9 February 2018

This announcement will remain at 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.