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 2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 2020 (the "Year").

FINANCIAL PERFORMANCE

The Group's revenue was mainly attributable to the provision of Robotics Education and Others business in the People's Republic of China (the "PRC"), including robotics competitions and promotion and management services of "Shentong Card". The Group recorded consolidated revenue of approximately HK$128,841,000 for the year ended 31 March 2020, representing a decrease of approximately 27.4% as compared to approximately HK$177,415,000 for the year ended 31 March 2019.

For the year ended 31 March 2020, the Group recorded approximately HK$233,033,000 in loss attributable to owners of the Company, as compared to profit of approximately HK$58,832,000 for the year ended 31 March 2019. The Group's gross profit decreased by 33.5% year-on-year to approximately HK$84,449,000 and gross profit margin decreased approximately 6.0 percentage points year-to-year to approximately 65.5%. Decline in business performance was primarily due to the interruption of business operation caused by the outbreak of COVID-19 and the impairment on certain property, plant and equipment, right-of-use assets, goodwill and intangible assets amounting approximately HK$7,113,000, HK$5,891,000, HK$36,068,000 and HK$286,758,000 respectively (the "Impairment Losses"). Adjusted profit before tax before the Impairment Losses was approximately HK$47,696,000. The Impairment Losses is primarily non-cash and non-recurring in nature. The Board considers that the financial position of the company remains sound.

BUSINESS REVIEW

During the reporting period, the Group's revenue were mainly attributable to the provision of robotics training courses and others in Heilongjiang Province of the PRC and the provision of promotion and management services of electronic smart card "Shentong Card" in the PRC.

In early 2020, the global outbreak of the COVID-19 has certain impact on the Robotics Education and Others Business of the Group, mainly due to global travel restrictions and various precaution measures undertaken by respective local authorities which inter alia, include closure of campus and delays in school commencement during the outbreaks period. The mainland epidemic situation is gradually improving, we expect the precaution measures will be eased and the business operation will be resumed in the near future. The Group will continue to assess and closely monitor the possible impact of the risks and uncertainties related to the COVID-19 epidemic on the Group's business and financial performance.

The robotics education which combines technology, education and practice. The Group provides robotics-related education and training, and hosts robot sports competition in Heilongjiang province (collectively, the "Robotics Education Business"). Through innovative education and promotion, the Group deepened the integration of education, sports and technology in the province, and strived to create a high-end robotics education platform, aiming at making greater contributions to the development of robotics education in the PRC.

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 with the commencement of robot sports nationwide. On the other hand, 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.

Heilongjiang Province is one of the leading regions of China in the development of quality robot education. The Group is the sole organiser of China Robot Competition ("CRC") events in Heilongjiang Province with the approval of the GASC. The CRC Business in Heilongjiang is an important part of the Group's development strategy. During the year, the Group organised a diversified series of CRC events in order to tap the potential of the quality robot education market, which attracted kindergarten, primary school, secondary school and university level participants from across Heilongjiang Province.

By organising CRC events in Heilongjiang Province, the Group effectively promotes the development of quality robot education and makes it take root in the province and develop more related talent. We believe that various robot competitions will promote the popularisation and development of robot education by providing excellent opportunities for students and schools to explore robotic technologies.

Education and talent development are key to China's overall development in the future. Promoting China quality education is beneficial for improving the general literacy of the entire population and driving all-round development of students in terms of morality, intellectuality and physical fitness. During the year, the Group made active efforts to promote the school-based quality robot teaching business in China in coordination with the working committee of the NSSRL.

PROSPECTS

Looking ahead, the Group plans to launch various robotics theme activities in Heilongjiang Province. In addition to various robotics education courses and teacher training, we will actively cooperate with members of the NSSRL in Heilongjiang Province to plan intelligent robotics classrooms. The above activities help to promote smart education into the campus, further strengthening the internationalisation and diversification of robotics education in the PRC. With the continuous development of robotics education projects, China's educational reform and the development of the robotics industry are expected to reach a new level. In addition to building a good platform for robotics education for young people in Heilongjiang Province, the Group will actively participate in planning the national development strategy of robotics education and strive to cultivate the robotics industry and robotics professionals.

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 2020, together with the comparative figures for the corresponding year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*3*	**128,841**	177,415
Cost of service		**(44,392)**	(50,471)
Gross profit		**84,449**	126,944
Investment and other income	*4*	**756**	2,654
Other gains and losses, net	*5*	**(332,120)**	1,888
Impairment allowance on expected credit losses		**(700)**	(73)
Selling and distribution expenses		**(11,838)**	(15,737)
Administrative expenses		**(25,987)**	(28,364)
(Loss)/profit from operations		**(285,440)**	87,312
Finance costs	*7*	**(2,694)**	(1,887)
(Loss)/profit before tax		**(288,134)**	85,425
Income tax credit/(expense)	*8*	**55,101**	(26,593)
(Loss)/profit for the year attributable to owners of the Company	*9*	**(233,033)**	58,832
		HK cent	*HK cent*
(Loss)/earnings per share			
Basic (cents per share)	*11(a)*	**(12.29)**	3.10
Diluted (cents per share)	*11(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(233,033)**	58,832
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(28,912)**	(33,185)
Total comprehensive income for the year attributable to owners of the Company	**(261,945)**	25,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,060**	16,115
Right-of-use assets		**4,349**	–
Goodwill	*13*	**–**	37,537
Intangible assets	*14*	**80,969**	385,745
Total non-current assets		**87,378**	439,397
Current assets			
Prepayments, deposits and other receivables	*15*	**18,397**	44,030
Bank and cash balances		**262,599**	221,422
Total current assets		**280,996**	265,452
TOTAL ASSETS		**368,374**	704,849
EQUITY AND LIABILITIES			
Share capital	*18*	**18,957**	18,957
Reserves		**18,799**	280,744
Total equity		**37,756**	299,701
LIABILITIES			
Non-current liabilities			
Lease liabilities		**2,407**	–
Promissory note	*16*	**109,515**	107,621
Deferred tax liabilities		**21,844**	98,537
Total non-current liabilities		**133,766**	206,158
Current liabilities			
Contract liabilities		**39,574**	51,252
Receipt in advance		**12**	12
Accruals and other payables	*17*	**117,308**	110,647
Lease liabilities		**4,308**	–
Current tax liabilities		**35,650**	37,079
Total current liabilities		**196,852**	198,990
TOTAL EQUITY AND LIABILITIES		**368,374**	704,849

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 GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.66%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 35 to the consolidated financial statement as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	12,189
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(186)
	12,003
Add: Adjustments as a result of a different treatment of extension and termination options	4,094
Less: total future interest expenses	(1,303)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019 and lease liabilities recognised as at 1 April 2019	14,794
Of which are:	
Current lease liabilities	6,657
Non-current lease liabilities	8,137
	14,794

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amount as at 31 March 2019**	**Reclassification**	**Recognition of leases**	**Carrying amount as at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Right-of-use assets	–	1,665	14,794	16,459
Prepayments and deposits	3,716	(1,665)	–	2,051
Liabilities				
Lease liabilities	–	–	(14,794)	(14,794)

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** ***(note 1)***	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
(Loss)/profit from operation	**(285,440)**	**5,751**	**(6,176)**	**(285,865)**	87,312
Finance costs	**(2,694)**	**800**	**–**	**(1,894)**	(1,887)
(Loss)/profit before tax	**(288,134)**	**6,551**	**(6,176)**	**(287,759)**	85,425
(Loss)/profit for the year	**(233,033)**	**6,551**	**(6,176)**	**(232,658)**	58,832

	2020			2019
	Amounts reported under HKFRS 16 *HK$'000*	**Estimated amounts related to operating leases as if under HKAS 17** ***(note 1)*** *HK$'000*	**Hypothetical amounts for 2020 as if under HKAS 17** *HK$'000*	Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Line items in the consolidated statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**85,811**	**(6,176)**	**79,635**	119,106
Interest element of lease rentals paid	**(800)**	**800**	**–**	–
Net cash generated from operating activities	**68,405**	**(5,376)**	**63,029**	98,201
Capital element of lease rentals paid	**(5,376)**	**5,376**	**–**	–
Net cash used in financing activities	**(5,376)**	**5,376**	**–**	–

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services line for the year is as follows:

Revenue from contracts with customers within the scope of HKFRS 15

	2020			2019		
Reportable Segments	**Promotion and Management Services** *HK$'000*	**Robotics Education and Others** *HK$'000*	**Total** *HK$'000*	Promotion and Management Services *HK$'000*	Robotics Education and Others *HK$'000*	Total *HK$'000*
Types of service						
Promotion and Management Services						
— Designated Shentong Cards	**9,498**	**–**	**9,498**	22,097	–	22,097
Robotics Education and Others						
— Robotics course	**–**	**110,459**	**110,459**	–	140,582	140,582
— Rental of training equipment	**–**	**1,542**	**1,542**	–	5,103	5,103
— Competition admission	**–**	**3,828**	**3,828**	–	5,872	5,872
— Robotics international exchange programme registration fee	**–**	**3,514**	**3,514**	–	–	–
— Voting service of robotics events	**–**	**–**	**–**	–	3,761	3,761
	–	**119,343**	**119,343**	–	155,318	155,318
Total	**9,498**	**119,343**	**128,841**	22,097	155,318	177,415
Geographical market						
Mainland China	**9,498**	**119,343**	**128,841**	22,097	155,318	177,415
Time of revenue recognition						
A point in time	**–**	**7,342**	**7,342**	–	9,633	9,633
Over time	**9,498**	**112,001**	**121,499**	22,097	145,685	167,782
	9,498	**119,343**	**128,841**	22,097	155,318	177,415

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 and the expected timing of recognising revenue as follows:

	Robotics Education and Others	
	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**39,574**	51,252
More than 1 year	**–**	–
	39,574	51,252

4. INVESTMENT AND OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Advertising income	**–**	631
Interest income	**734**	478
Other income	**22**	–
Sponsorship income	**–**	1,545
	756	2,654

5. OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Exchange gain	**2,387**	1,725
Gain on disposal of property, plant and equipment	**114**	206
Gain on modification of leases	**1,442**	–
Impairment loss on property, plant and equipment *(note 12)*	**(7,113)**	–
Impairment loss on right-of-use assets *(note 12)*	**(5,891)**	–
Impairment loss on goodwill *(note 12)*	**(36,068)**	–
Impairment loss on intangible assets *(note 12)*	**(286,758)**	–
Written off of property, plant and equipment	**(186)**	(43)
Others	**(47)**	–
	(332,120)	1,888

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 Education 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:

	2020			2019		
	Promotion and Management Services	**Robotics Education and Others**	**Total**	Promotion and Management Services	Robotics Education and Others	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March						
Revenue from external customer (including a related company)	**9,498**	**119,343**	**128,841**	22,097	155,318	177,415
Segment (loss)/profit	**(4,304)**	**(267,784)**	**(272,088)**	(2,397)	104,545	102,148
Interest income	**44**	**689**	**733**	75	398	473
Depreciation and amortisation	**(2,051)**	**(10,699)**	**(12,750)**	(301)	(7,457)	(7,758)
Other materials non-cash items:						
Gain on modification of leases	**1,442**	**–**	**1,442**	–	–	–
Impairment loss on property, plant and equipment *(note 12)*	**(320)**	**(6,793)**	**(7,113)**	–	–	–
Impairment loss on right-of-use assets *(note 12)*	**(2,136)**	**(3,755)**	**(5,891)**	–	–	–
Impairment loss on goodwill *(note 12)*	**–**	**(36,068)**	**(36,068)**	–	–	–
Impairment loss on intangible assets *(note 12)*	**–**	**(286,758)**	**(286,758)**	–	–	–
	(1,014)	**(333,374)**	**(334,388)**	–	–	–
Additions to segment non-current asset	**189**	**2,843**	**3,032**	25	10,305	10,330
As at 31 March						
Segment assets	**34,976**	**348,017**	**382,993**	41,608	678,171	719,779
Segment liabilities	**2,776**	**261,976**	**264,752**	2,326	263,705	266,031

Reconciliations of segment revenue, profit, assets and liabilities:

	2020 *HK$'000*	2019 *HK$'000*
Revenue		
Total revenue of reportable segments	**128,841**	177,415
Consolidated revenue	**128,841**	177,415
Profit or loss		
Total (loss)/profit of reportable segments	**(272,088)**	102,148
Finance costs	**(2,694)**	(1,887)
Income tax credit/(expense)	**55,101**	(26,593)
Unallocated amounts:		
Depreciation of right-of-use assets	**(2,005)**	–
Directors' emoluments and allowances	**(4,106)**	(4,106)
Legal and professional fee	**(643)**	(534)
Rent	**–**	(2,461)
Salaries and allowances	**(3,719)**	(4,487)
Other unallocated head office and corporate expenses	**(2,879)**	(3,248)
Consolidated (loss)/profit for the year	**(233,033)**	58,832
Assets		
Total assets of reportable segments	**382,993**	719,779
Elimination of intersegment assets	**(126,915)**	(122,915)
Unallocated assets:		
Amount due from reportable segment	**105,000**	105,000
Bank and cash balances	**3,291**	1,943
Other unallocated head office and corporate assets	**4,005**	1,042
Consolidated total assets	**368,374**	704,849
Liabilities		
Total liabilities of reportable segment	**264,752**	266,031
Elimination of intersegment liabilities	**(126,915)**	(117,915)
Current tax liabilities	**35,650**	37,079
Deferred tax liabilities	**21,844**	98,537
Promissory note	**109,515**	107,621
Other unallocated head office and corporate liabilities	**25,772**	13,795
Consolidated total liabilities	**330,618**	405,148

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

	2020	2019
	HK$'000	*HK$'000*
China Communication Group Co., Ltd. ("CCC") — Promotion and Management Services segment	**9,498**	22,097

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on promissory note payable to China Communication Investment Limited ("CCI")	**1,894**	1,887
Interest expenses on lease liabilities	**800**	–
	2,694	1,887

8. INCOME TAX (CREDIT)/EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax — PRC		
Provision for the year	**17,138**	26,777
Deferred tax	**(72,239)**	(184)
	(55,101)	26,593

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2020 and 2019.

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(288,134)**	85,425
Tax at the PRC Enterprise Income Tax rate of 25% (2019: 25%)	**(72,033)**	21,356
Tax effect of temporary differences not recognised	**(72,239)**	(184)
Tax effect of expenses that are not deductible	**87,507**	4,209
Tax effect of unused tax losses not recognised	**1,124**	599
PRC dividend tax	**540**	613
Income tax (credit)/expense	**(55,101)**	26,593

9. (LOSS)/PROFIT FOR THE YEAR

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration		
— audit services	**700**	680
— other services	**595**	593
	1,295	1,273
Amortisation of intangible assets		
— included in cost of service	**705**	735
Depreciation of property, plant and equipment	**8,330**	7,055
Depreciation of right-of-use assets	**5,751**	–
Gain on disposal of property, plant and equipment	**(114)**	(206)
Gain on modification of leases	**(1,442)**	–
Impairment loss on property, plant and equipment *(note 12)*	**7,113**	–
Impairment loss on right-of-use assets *(note 12)*	**5,891**	–
Impairment loss on goodwill *(note 12)*	**36,068**	–
Impairment loss on intangible assets *(note 12)*	**286,758**	–
Legal and professional fee (excluding auditor's remuneration)	**653**	547
Operating lease charges for land and buildings	**346**	8,205
Written off of property, plant and equipment	**186**	43

10. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2019: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share (2019: earnings per share) is based on the loss for the year attributable to owners of the Company of approximately HK$233,033,000 (2019: profit for the year attributable to owners of the Company of approximately HK$58,832,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2019: 1,895,697,017) in issue during the year.

(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 2020 and 2019.

12. IMPAIRMENT OF CASH GENERATING UNITS ("CGUs")

	Property, plant and equipment *HK$'000*	**Right-of-use assets** *HK$'000*	**Goodwill** *HK$'000* *(note 13)*	**Intangible assets** *HK$'000* *(note 14)*	**Total** *HK$'000*
Promotion and Management Services cash generating unit ("CGU")	320	2,136	–	–	2,456
Robotics Educations and Others CGU	–	–	23,721	–	23,721
First interim reporting period impairment	320	2,136	23,721	–	26,177
Promotion and Management Services CGU	–	–	–	–	–
Robotics Educations and Others CGU	6,793	3,755	12,347	286,758	309,653
Second interim reporting period impairment	6,793	3,755	12,347	286,758	309,653
Total impairment for the year	7,113	5,891	36,068	286,758	335,830

The Group has two CGUs, namely, Promotion and Management Services CGU and Robotics Education and Others CGU.

The carrying amounts of the Group's property, plant and equipment, right-of-use assets, goodwill and intangible assets are allocated to the above CGUs. The recoverable amounts of the CGUs have been determined on the basis of their value in use calculations using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

Impairment loss of Promotion and Management Services CGU for the first interim period

During the first interim reporting period, management assessed whether there was any indication that the carrying amount of Promotion and Management Services CGU may be impaired. Financial performance of this CGU did not meet forecasts due to government's increasing regulation of online game operations. Management revised the forecast and determined the value in use to be HK$1,462,000, and the pre-tax discount rate used to calculate the value in use was 26.0%. As a result, an impairment loss of HK$2,456,000 was recognised for the CGU and was charged against property, plant and equipment and right-of-use assets of the CGU.

Impairment loss of Robotics Education and Others CGU for the first interim period

During the first interim reporting period, management assessed whether there was any indication that the carrying amount of Robotics Education and Others CGU may be impaired. Financial performance of this CGU did not meet forecasts due to economic downturn and declined revenue. Management revised the forecast and determined the value in use to be HK$363,944,000, and the pre-tax discount rate used to calculate the value in use was 26.0%. As a result, an impairment loss of HK$23,721,000 was recognised for the CGU and was fully charged against the goodwill attributable to the CGU.

The Group has engaged external independent valuer to assist the management to estimate the recoverable amounts of the Robotics Education and Others CGU.

Impairment loss of Robotics Education and Others CGU for the second interim period

At 31 March 2020, before impairment testing, goodwill with carrying amount of HK$12,347,000 (after impairment in first interim reporting period) and intangible assets with carrying value of HK$360,090,000 was allocated to the Robotics Education and Others CGU. Due to the outbreak of COVID-19 and its enduring adverse effect on economy of Heilongjiang province, management estimated the operation of the CGU would be severely affected both in short term and long term. Based on the latest assessment of the economic condition and future demand of robotics education course in Heilongjiang province, management has prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2019: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax discount rate used to discount the forecast cash flows of the CGU is 24.3% (2019: 27.3%). Pre-tax discount rates presented above are calculated by grossing up the post-tax discount rate by one less income tax rate applicable to the CGU. The change of pre-tax discount rate is mainly due to decrease in risk-free rate and change in market debt-to-equity ratio for the reporting period.

As a result of the impairment testing at 31 March 2020, the CGU (excluding bank and cash balances) has been reduced to its recoverable amount of HK$83,948,000, with impairment losses recognised in goodwill of HK$12,347,000, intangible assets of HK$286,758,000, property, plant and equipment of HK$6,793,000 and right-of-use assets of HK$3,755,000.

The Group has engaged external independent valuer to assist the management to estimate the recoverable amounts of the Robotics Education and Others CGU.

13. GOODWILL

	Robotics Education and Others CGU *HK$'000*
Cost	
As at 1 April 2018	40,190
Exchange differences	(2,653)
At 31 March 2019 and 1 April 2019	37,537
Exchange differences	(2,430)
At 31 March 2020	35,107
Accumulated impairment losses	
As at 1 April 2018	–
Exchange differences	–
At 31 March 2019 and 1 April 2019	–
Impairment loss *(note 12)*	36,068
Exchange differences	(961)
At 31 March 2020	35,107
Carrying amount	
At 31 March 2020	–
At 31 March 2019	37,537

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. All goodwill are allocated to Robotics Education and Others CGU.

14. INTANGIBLE ASSETS

	Exclusive Rights *HK$'000* *(note (i))*	Mobile Application *HK$'000* *(note (ii))*	Total *HK$'000*
Cost			
At 1 April 2018	411,762	2,358	414,120
Exchange differences	(27,179)	(156)	(27,335)
At 31 March 2019 and 1 April 2019	384,583	2,202	386,785
Exchange differences	(24,893)	(143)	(25,036)
At 31 March 2020	359,690	2,059	361,749
Accumulated amortisation and impairment losses			
At 1 April 2018	–	328	328
Amortisation for the year	–	735	735
Exchange differences	–	(23)	(23)
At 31 March 2019 and 1 April 2019	–	1,040	1,040
Amortisation for the year	–	705	705
Impairment loss *(note 12)*	286,440	318	286,758
Exchange differences	(7,630)	(93)	(7,723)
At 31 March 2020	278,810	1,970	280,780
Carrying amount			
At 31 March 2020	80,880	89	80,969
At 31 March 2019	384,583	1,162	385,745

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

Note:

(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 Shentong Cultural Club Company Limited ("Heilongjiang Shentong"), a subsidiary of the Company, was authorised by Beijing Shentong Culture Club Co., Ltd. ("Beijing Shentong", an entity controlled by CCC), 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 Shentong 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 Shentong under the CRC Organisation Contract remains effective, the authorisation granted by Beijing Shentong to Heilongjiang Shentong would be automatically extended indefinitely unless terminated by Heilongjiang Shentong by written notice.

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

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.

(ii) Mobile Application represents the mobile phone software to facilitate training course, CRC competition enrollment and attendance management. The amortisation period is 3 years and the remaining life is 0.58 years (2019: 1.58 years).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Amount due from a substantial shareholder *(note)*	**14,567**	39,296
Other receivables	**300**	1,018
Prepayments and deposits	**3,530**	3,716
	18,397	44,030

Note: The amount due from CCC, a substantial shareholder of the Company is denominated in RMB, unsecured, interest-free and repayable on demand.

16. PROMISSORY NOTE

As at 31 March 2020, the promissory note is held by CCI with principal amount of approximately HK$94,427,000 (2019: HK$94,427,000).

On 31 March 2019, the Group and CCI agreed to extend the maturity date from 30 June 2019 to 30 June 2020. On 31 March 2020, the Group and CCI agreed to extend the maturity date from 30 June 2020 to 30 June 2021.

The principal amount of the promissory note is denominated in HK$. The promissory note is unsecured. As at 31 March 2020, the coupon rate is 2% per annum (2019: 2% per annum) and the effective interest rate is 1.72% (2019: 1.75%).

17. ACCRUALS AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Amount due to a substantial shareholder *(note a)*	**95,100**	95,100
Amounts due to related companies *(note b)*	**4,451**	1,364
Accrued salaries	**5,936**	5,880
Accrued expenses	**1,200**	1,110
Security deposits *(note c)*	**4,913**	5,252
Other payables	**5,708**	1,941
	117,308	110,647

Note: (a) The amount due to CCI, a substantial shareholder of the Company is denominated in HK$, unsecured, interest-free and repayable on 15 November 2020.

(b) The amounts due to related companies are denominated in HK$ and RMB (2019: all amounts are 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.

18. SHARE CAPITAL

	2020 Number of shares	**2020** Amount	2019 Number of shares	2019 Amount
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
At the beginning and the end of the 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 and the end of the year	**1,895,697,017**	**18,957**	1,895,697,017	18,957

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amounts of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt is defined as promissory note and all amounts due to related companies. Adjusted capital comprises all components of equity except for non-controlling interests, if any.

During the current reporting period, the Group's strategy, which was unchanged from prior years, was to reduce the debt-to-adjusted capital ratio to reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at the end of reporting periods were as follows:

	2020	2019
	HK$'000	*HK$'000*
Total debt	**209,066**	204,085
Less: cash and cash equivalents	**(262,599)**	(221,422)
Net debt	**N/A**	N/A
Total equity	**37,756**	299,701
Debt-to-adjusted capital ratio	**N/A**	N/A

The externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

19. EVENT AFTER REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group's robotics education operation in Heilongjiang province has been severely affected by the enduring damage of economy caused by the COVID-19. The Group's robotics education operation in Heilongjiang province has been temporarily suspended since February 2020, hence no revenue has been recognised up to the date of approval of these financial statements. The Group is paying close attention to the development of, and the disruption to business and financial impact to the Group caused by the COVID-19 outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a revenue of approximately HK$128,841,000 (2019: HK$177,415,000) for the year ended 31 March 2020, representing a decrease of approximately 27.4% as compared with the year ended 31 March 2019 which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

The Group's gross profit for the year ended 31 March 2020 amounted to approximately HK$84,449,000 as compared to approximately HK$126,944,000 for the year ended 31 March 2019. The decrease was mainly attributable to the interruption of business operation caused by the outbreak of COVID-19.

Selling and distribution and administrative expenses for the year ended 31 March 2020 was approximately HK$37,825,000 as compared to approximately HK$44,101,000 for the year ended 31 March 2019.

Profit attributable to owners of the company

The Group made a loss attributable to owners of approximately HK$233,033,000 for the year ended 31 March 2020 as compared to profit of approximately HK$58,832,000 for the year ended 31 March 2019. The deterioration was mainly due to the Impairment Losses. Adjusted profit before tax before the Impairment Losses was approximately HK$47,696,000.

Impairment Losses

In light of the declining economic growth in PRC, the global outbreak of the COVID-19 and the corresponding precaution measures, the business operation of the Group has been adversely interrupted. The demand for the Robotics Education and Others business and promotion and management services of "Shentong Card" business of the Group has substantially decreased and such decrease is expected to continue in the near future. The Group conducted assessments on the impairment loss for the property, plant and equipment, right-of-use assets, goodwill and intangible assets in order to reflect the recoverable amount of the relevant assets. In the impairment tests, COVID-19 outbreak and its impact on the present value of the estimated future cash flows has been considered. Impairment Losses has been recognized accordingly.

Adjusted profit before tax before the Impairment Losses was approximately HK$47,696,000. The Impairment Losses is primarily non-cash and non-recurring in nature. The Board considers that the financial position of the Company remains sound.

Details of Impairment Losses is set out in note 12.

Segment information

An analysis of the performance of the Group by reportable segments is set out in note 6.

Liquidity and financial resources

As at 31 March 2020, the Group had outstanding promissory note at principal amount of approximately HK$94.4 million (as at 31 March 2019: approximately HK$94.4 million) with carrying value of approximately HK$109.5 million (as at 31 March 2019: approximately HK$107.6 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 March 2020, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date to 30 June 2021. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2020 (as at 31 March 2019: Nil).

As at 31 March 2020, the Group had net current assets of approximately HK$84.1 million (as at 31 March 2019: approximately HK$66.5 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK$262.6 million (as at 31 March 2019: approximately HK$221.4 million) and prepayments, deposits and other receivables of approximately HK$18.4 million (as at 31 March 2019: approximately HK$44.0 million). The Group's current liabilities mainly include accruals and other payables of approximately HK$117.3 million (as at 31 March 2019: approximately HK$110.6 million), current tax liabilities of approximately HK$35.7 million (as at 31 March 2019: approximately HK$37.1 million) and contract liabilities of approximately HK$39.6 million (as at 31 March 2019: approximately HK$51.3 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 2020, the gearing ratio was 290.1% (as at 31 March 2019: 35.9%).

Capital structure

There was no 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 2020 and 31 March 2019.

Employees, remuneration policies and staff costs

As at 31 March 2020, the Group had 136 employees (2019: 199). The staff costs for the year ended 31 March 2020 was approximately HK$22.0 million (2019: HK$26.0 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 years ended 31 March 2020 and 31 March 2019, the Group had no significant investment. As at 31 March 2020, 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 2020 and 31 March 2019.

CAPITAL COMMITMENTS

The non-cancellable capital commitment as at 31 March 2020 is approximately HK$613,000 (2019: HK$639,000).

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 2020.

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 2020. 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 maintaining and ensuring 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 2020.

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 2 August 2019 (the "2019 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 2019 AGM due to his other business activities and unexpected engagement. Mr. Bao Yueqing (executive Director and Chief Executive Officer of the Company) was appointed as the chairman of the 2019 AGM to answer and address questions raised by shareholders of the Company at the 2019 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 2020, 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 2019;

— Quarterly reports for the first quarter and third quarter of 2019/20;

— Interim report for the first six months of 2019/20; and

— Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2020 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 2020 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 the meeting room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 31 July 2020 at 11:00 a.m. 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, 19 June 2020

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 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.