



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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This announcement, for which the directors (the “Directors”) of Shentong Robot Education Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) 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 six months ended 30 September 2020 was approximately HK\$745,000.
- Loss attributable to owners of the Company was approximately HK\$11,815,000 for the six months ended 30 September 2020.
- Loss per share for the six months ended 30 September 2020 was approximately HK0.62 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2020.

The Directors hereby present the unaudited consolidated results of the Group for the six months ended 30 September 2020.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$745,000 for the six months ended 30 September 2020, representing a decrease of approximately 99% as compared to approximately HK\$73,918,000 for the six months ended 30 September 2019.

The Group made a loss attributable to owners of the Company of approximately HK\$11,815,000 for the six months ended 30 September 2020, as compared to approximately HK\$5,866,000 for the six months ended 30 September 2019. The deterioration was mainly due to the decrease in revenue which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

BUSINESS REVIEW AND PROSPECTS

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 recovered 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 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK\$745,000 (2019: approximately HK\$73,918,000) for the six months ended 30 September 2020, representing a decrease of approximately 99% as compared with six months ended 30 September 2019 which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

The Group’s gross loss for the six months ended 30 September 2020 amounted to approximately HK\$1,671,000 as compared to gross profit of approximately HK\$48,391,000 for the six months ended 30 September 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 six months ended 30 September 2020 was approximately HK\$8,549,000 as compared to approximately HK\$18,735,000 for the six months ended 30 September 2019.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The Group made a loss attributable to the owners of the Company of approximately HK\$11,815,000 for the six months ended 30 September 2020 as compared to approximately HK\$5,866,000 for the six months ended 30 September 2019. The deterioration was mainly due to the decrease in revenue which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 7 to the condensed financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had outstanding promissory note at principal amount of approximately HK\$94.4 million (as at 31 March 2020: approximately HK\$94.4 million) with carrying value of approximately HK\$110.5 million (as at 31 March 2020: approximately HK\$109.5 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. As at 30 September 2020, the Group had outstanding loans from CCI of approximately HK\$2.1 million (as at 31 March 2020: HK\$Nil). The loans were unsecured, interest-free and repayable on demand. Other than the above, the Group did not have any other committed borrowing facilities as at 30 September 2020 (as at 31 March 2020: HK\$Nil).

As at 30 September 2020, the Group had net current liabilities of approximately HK\$26.5 million (as at 31 March 2020: net current assets of approximately HK\$84.1 million). The Group’s current assets mainly consisted of cash and cash equivalents of approximately HK\$268.5 million (as at 31 March 2020: approximately HK\$262.6 million) and prepayments, deposits and other receivables of approximately HK\$8.2 million (as at 31 March 2020: approximately HK\$18.4 million). The Group’s current liabilities mainly included promissory note of approximately HK\$110.5 million (as at 31 March 2020: classified as non-current liabilities of approximately HK\$109.5 million), contract liabilities of approximately HK\$40.9 million (as at 31 March 2020: approximately HK\$39.6 million), accruals and other payables of approximately HK\$116.4 million (as at 31 March 2020: approximately HK\$117.3 million) and current tax liabilities of approximately HK\$32.0 million (as at 31 March 2020: approximately HK\$35.7 million).

At present, the Group generally finances its operations and investment activities with internal resources.

GEARING RATIO

The gearing ratio is measured by total interest-bearing borrowings as a percentage of equity. As at 30 September 2020, the gearing ratio was 295.1% (as at 31 March 2020: 290.1%).

CAPITAL STRUCTURE

There was no change in the capital structure during the period.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2020 and 31 March 2020.

EMPLOYEE, REMUNERATION POLICIES AND STAFF COSTS

As at 30 September 2020, the Group had 108 employees (as at 31 March 2020: 136). The staff costs for the six months ended 30 September 2020 was approximately HK\$5.5 million (six months ended 30 September 2019: approximately HK\$11.2 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

For the six months ended 30 September 2020 and the year ended 31 March 2020, the Group had no significant investment. As at 30 September 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 period.

FOREIGN CURRENCY RISK

The income and expenditure of the Group are mainly carried in Hong Kong dollars ("HK\$") and Renminbi ("RMB") and the assets and liabilities of the Group were mainly denominated in HK\$ and RMB. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2020 and 31 March 2020.

CAPITAL COMMITMENTS

Details of capital commitments is set out in note 24 to the condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Unaudited			
		For the three months ended		For the six months ended	
		30 September		30 September	
		2020	2019	2020	2019
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	446	33,193	745	73,918
Cost of service		<u>(1,254)</u>	<u>(13,097)</u>	<u>(2,416)</u>	<u>(25,527)</u>
Gross (loss)/profit		(808)	20,096	(1,671)	48,391
Investment and other income	5	482	297	674	459
Other gains and losses, net	6	(1,383)	(24,991)	(1,137)	(24,040)
Reversal/(allowance) for expected credit losses		6	4	6	(168)
Selling and distribution expenses		(329)	(2,875)	(848)	(6,879)
Administrative expenses		<u>(3,868)</u>	<u>(6,069)</u>	<u>(7,701)</u>	<u>(11,856)</u>
(Loss)/profit from operations		(5,900)	(13,538)	(10,677)	5,907
Finance costs	8	<u>(578)</u>	<u>(656)</u>	<u>(1,161)</u>	<u>(1,231)</u>
(Loss)/profit before tax		(6,478)	(14,194)	(11,838)	4,676
Income tax	9	<u>–</u>	<u>(4,901)</u>	<u>23</u>	<u>(10,542)</u>
Loss for the period attributable to owners of the Company	10	<u>(6,478)</u>	<u>(19,095)</u>	<u>(11,815)</u>	<u>(5,866)</u>
		HK cents	HK cents	HK cents	HK cents
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share	12				
Basic (HK cents)		<u>(0.34)</u>	<u>(1.01)</u>	<u>(0.62)</u>	<u>(0.31)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(6,478)	(19,095)	(11,815)	(5,866)
Other comprehensive income				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>10,462</u>	<u>(17,190)</u>	<u>11,484</u>	<u>(31,511)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>3,984</u>	<u>(36,285)</u>	<u>(331)</u>	<u>(37,377)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,278	2,060
Right-of-use assets	14	2,971	4,349
Intangible assets	15	84,254	80,969
Total non-current assets		88,503	87,378
Current assets			
Inventories		268	–
Prepayments, deposits and other receivables	16	8,167	18,397
Bank and cash balances		268,494	262,599
Total current assets		276,929	280,996
TOTAL ASSETS		365,432	368,374
EQUITY AND LIABILITIES			
Share capital	21	18,957	18,957
Reserves		18,468	18,799
Total equity		37,425	37,756

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Promissory note	18	–	109,515
Lease liabilities		1,833	2,407
Deferred tax liabilities	19	22,763	21,844
Total non-current liabilities		24,596	133,766
Current liabilities			
Contract liabilities	17	40,858	39,574
Receipt in advance		12	12
Accruals and other payables	20	116,379	117,308
Promissory note	18	110,458	–
Lease liabilities		3,688	4,308
Current tax liabilities		32,016	35,650
Total current liabilities		303,411	196,852
TOTAL LIABILITIES		328,007	330,618
TOTAL EQUITY AND LIABILITIES		365,432	368,374

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Statutory reserve HK\$'000	Share- based payment reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2019 (audited)	18,957	1,354,838	8,320	(5,596)	625	1,483	(1,078,926)	299,701
Lapsed share-based payments	–	–	–	–	–	(1,483)	1,483	–
Total comprehensive income for the period	–	–	–	(31,511)	–	–	(5,866)	(37,377)
Changes in equity for the period	–	–	–	(31,511)	–	(1,483)	(4,383)	(37,377)
At 30 September 2019	<u>18,957</u>	<u>1,354,838</u>	<u>8,320</u>	<u>(37,107)</u>	<u>625</u>	<u>–</u>	<u>(1,083,309)</u>	<u>262,324</u>
At 1 April 2020 (audited)	18,957	1,354,838	8,320	(34,508)	625	–	(1,310,476)	37,756
Total comprehensive income for the period	–	–	–	11,484	–	–	(11,815)	(331)
Changes in equity for the period	–	–	–	11,484	–	–	(11,815)	(331)
At 30 September 2020	<u>18,957</u>	<u>1,354,838</u>	<u>8,320</u>	<u>(23,024)</u>	<u>625</u>	<u>–</u>	<u>(1,322,291)</u>	<u>37,425</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited	
	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(7,152)	35,032
Interest received	313	309
Proceeds from disposal of property, plant and equipment	32	–
Purchase of property, plant and equipment	–	(2,156)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	345	(1,847)
Loans from China Communication Investment Limited (“CCI”)	2,100	1,700
Payment of lease liabilities	(1,190)	(3,791)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	910	(2,091)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,897)	31,094
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	11,792	(16,424)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	262,599	221,422
CASH AND CASH EQUIVALENTS AT END OF PERIOD	268,494	236,092
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	268,494	236,092

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, South Church Street, 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2020 except as stated below.

The Group incurred a loss of HK\$11,815,000 for six months ended 30 September 2020 and had net current liabilities of approximately HK\$26,482,000 as at 30 September 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors had adopted the going concern basis in the preparation of these condensed financial statements of the Group based on the following:

- (a) The Group's contract liabilities as at 30 September 2020 amounted to HK\$40,858,000 were deferred income in nature and would not require settlement in form of bank and cash balances.
- (b) On 1 November 2020, the Group agreed with CCI, a substantial shareholder of the Company, to postpone the repayment date to 15 November 2021 for an amount of HK\$95,100,000 due to CCI.
- (c) On 31 March 2020, the Group agreed with CCI to postpone the maturity date of the promissory note to 30 June 2021 and the directors expect that the repayment date will be further postponed successfully.
- (d) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to CCI by the Group when necessary.

Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the directors are therefore of the opinion that it is appropriate to prepare these condensed financial statements of the Group on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

* English name is for identification purpose only

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 March 2020. A number of new or amended standards are effective from 1 April 2020 but they do not have a material effect on the Group’s financial statements.

4. REVENUE

(a) Disaggregation of revenue

The Group’s operations and main revenue streams are those described in the last annual financial statements. The Group’s revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the three months ended
30 September (Unaudited)

	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	99	—	99	2,469	—	2,469
Robotics Education and Others						
— Robotics course	—	347	347	—	28,940	28,940
— Rental of training equipment	—	—	—	—	506	506
— Competition admission	—	—	—	—	1,278	1,278
	—	347	347	—	30,724	30,724
Total	99	347	446	2,469	30,724	33,193
Geographical market						
Mainland China	99	347	446	2,469	30,724	33,193
Time of revenue recognition						
A point in time	—	—	—	—	1,278	1,278
Over time	99	347	446	2,469	29,446	31,915
	99	347	446	2,469	30,724	33,193

For the six months ended
30 September (Unaudited)

	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	398	—	398	7,268	—	7,268
Robotics Education and Others						
— Robotics course	—	347	347	—	63,063	63,063
— Rental of training equipment	—	—	—	—	1,127	1,127
— Competition admission	—	—	—	—	2,460	2,460
	—	347	347	—	66,650	66,650
Total	398	347	745	7,268	66,650	73,918
Geographical market						
Mainland China	398	347	745	7,268	66,650	73,918
Time of revenue recognition						
A point in time	—	—	—	—	2,460	2,460
Over time	398	347	745	7,268	64,190	71,458
	398	347	745	7,268	66,650	73,918

(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) and the expected timing of recognising revenue as follows:

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 1 year	40,858	39,574
More than 1 year	—	—
	40,858	39,574

5. INVESTMENT AND OTHER INCOME

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	163	—	343	—
Interest income	301	147	313	309
Others	18	150	18	150
	<u>482</u>	<u>297</u>	<u>674</u>	<u>459</u>

6. OTHER GAINS AND LOSSES

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange (loss)/gain	(1,456)	1,207	(1,456)	2,158
Gain on early termination of leases	73	—	319	—
Impairment loss on property, plant and equipment	—	(323)	—	(323)
Impairment loss on right-of-use assets	—	(2,154)	—	(2,154)
Impairment loss on goodwill	—	(23,721)	—	(23,721)
	<u>(1,383)</u>	<u>(24,991)</u>	<u>(1,137)</u>	<u>(24,040)</u>

7. 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 the Heilongjiang Province in the PRC.

Information about operating segment profit or loss, assets and liabilities:

	Unaudited		
	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2020:			
Revenue from external customer (including a related company)	398	347	745
Segment loss	(772)	(5,156)	(5,928)
As at 30 September 2020:			
Segment assets	35,262	348,640	383,902
Segment liabilities	<u>2,517</u>	<u>260,318</u>	<u>262,835</u>
	Unaudited		
	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2019:			
Revenue from external customer (including a related company)	7,268	66,650	73,918
Segment (loss)/profit	(3,642)	16,482	12,840
Other material non-cash items:			
Impairment loss on property, plant and equipment	(323)	–	(323)
Impairment loss on right-of-use assets	(2,154)	–	(2,154)
Impairment loss on goodwill	–	(23,721)	(23,721)
As at 31 March 2020:	(Audited)	(Audited)	(Audited)
Segment assets	34,976	348,017	382,993
Segment liabilities	<u>2,776</u>	<u>261,976</u>	<u>264,752</u>

	Unaudited	
	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Reconciliation of segment profit or loss:		
Total (loss)/profit of reportable segments	(5,928)	12,840
Finance costs	(1,161)	(1,231)
Income tax	23	(10,542)
Unallocated amounts:		
Directors' emoluments and allowances	(1,704)	(1,914)
Legal and professional fees	(244)	(172)
Salaries	(879)	(2,319)
Other unallocated head office and corporate expenses	(1,922)	(2,528)
Consolidated loss for the period	<u>(11,815)</u>	<u>(5,866)</u>

8. FINANCE COSTS

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on promissory note payable to CCI	476	476	943	943
Interest on lease liabilities	102	180	218	288
	<u>578</u>	<u>656</u>	<u>1,161</u>	<u>1,231</u>

9. INCOME TAX

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax — PRC				
— Provision for the period	—	4,945	—	10,631
Deferred tax (note 19)	—	(44)	(23)	(89)
	<u>—</u>	<u>4,901</u>	<u>(23)</u>	<u>10,542</u>

No provision for PRC Enterprise Income Tax and Hong Kong Profits Tax is required since the Group has no assessable profit in the PRC and Hong Kong for the three months ended 30 September 2020 and six months ended 30 September 2020.

For three months ended 30 September 2019 and six months ended 30 September 2019, no provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong. Tax charged on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25%.

10. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets				
— Include in cost of service	1	176	91	356
Depreciation (<i>note 13</i>)	341	2,016	828	3,924
Depreciation of right-of-use assets	662	2,242	1,341	3,776
Directors' emoluments	846	960	1,704	1,914
Legal and professional fees	128	106	256	184
Impairment loss on property, plant and equipment	—	323	—	323
Impairment loss on right-of-use assets	—	2,154	—	2,154
Impairment loss on goodwill	—	23,721	—	23,721
Operating leases expenses in respect of short term leases	—	118	—	292
Employee benefits expense including Directors' emoluments				
— Salaries, bonus and allowances	2,666	5,445	5,408	10,420
— Retirement benefits scheme contributions	22	374	45	772
	<u>2,688</u>	<u>5,819</u>	<u>5,453</u>	<u>11,192</u>

11. DIVIDENDS

No dividends have been paid or proposed during the three months and six months ended 30 September 2020, nor has any dividend been proposed since the end of the reporting period (three months and six months ended 30 September 2019: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the three months and six months ended 30 September 2020 is based on the loss for the period attributable to owners of the Company of approximately HK\$6,478,000 (three months ended 30 September 2019: HK\$19,095,000) and HK\$11,815,000 (six months ended 30 September 2019: HK\$5,866,000) respectively and the weighted average number of ordinary shares of 1,895,697,017 (three months and six months ended 30 September 2019: 1,895,697,017) in issue during both periods.

(b) Diluted loss per share

No diluted loss per share was presented as the Company did not have any dilutive potential ordinary shares for the three months and six months ended 30 September 2020 and 30 September 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Net carrying amount, beginning of the period/year	2,060	16,115
Additions	–	2,257
Depreciation	(828)	(8,330)
Disposals	(14)	–
Written off	–	(186)
Impairment loss	–	(7,113)
Exchange differences	60	(683)
	<u>1,278</u>	<u>2,060</u>
Net carrying amount, end of the period/year	<u>1,278</u>	<u>2,060</u>

14. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2020, the Group has not entered into any new lease agreement that required to be recognised as right-of-use assets.

15. INTANGIBLE ASSETS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Net carrying amount, beginning of the period/year	80,969	385,745
Amortisation for the period/year	(91)	(705)
Impairment loss	–	(286,758)
Exchange differences	3,376	(17,313)
	<u>84,254</u>	<u>80,969</u>
Net carrying amount, end of the period/year	<u>84,254</u>	<u>80,969</u>

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Amount due from CCC (<i>note (i)</i>)	1,842	14,567
Other receivables	306	300
Prepayment and deposits	6,019	3,530
	<u>8,167</u>	<u>18,397</u>

Note:

- (i) The amount due from a substantial shareholder, CCC, is denominated in Renminbi (“RMB”), unsecured, interest-free and repayable on demand.

17. CONTRACT LIABILITIES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Contract liabilities		
Billings in advance of performance obligation — Robotics course fee	<u>40,858</u>	<u>39,574</u>

Contract liabilities represented the prepaid course fee received from enrolled robotics course participants.

Movements in contract liabilities:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Beginning of the period/year	39,574	51,252
Increase in contract liabilities as a result of advance payments of robotics course fee received	—	105,593
Decrease in contract liabilities as a result of recognising revenue during the period/year	(356)	(114,183)
Exchange differences	<u>1,640</u>	<u>(3,088)</u>
End of the period/year	<u>40,858</u>	<u>39,574</u>

18. PROMISSORY NOTE

As at 30 September 2020, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (as at 31 March 2020: HK\$94,427,000).

On 31 March 2020, the Group and CCI agreed to postpone 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 30 September 2020, the coupon rate is 2% per annum (as at 31 March 2020: 2% per annum) and the effective interest rate is 1.72% (as at 31 March 2020: 1.72%).

19. DEFERRED TAX LIABILITIES

	Intangible assets <i>HK\$'000</i>	Undistributed profits of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019 (Audited)	96,437	2,100	98,537
Charge to profit or loss for the year	(71,866)	(373)	(72,239)
Exchange differences	(4,328)	(126)	(4,454)
	<u>20,243</u>	<u>1,601</u>	<u>21,844</u>
At 31 March 2020 and 1 April 2020 (Audited)	20,243	1,601	21,844
Charge to profit or loss for the period (<i>note 9</i>)	(23)	–	(23)
Exchange differences	844	98	942
	<u>844</u>	<u>98</u>	<u>942</u>
At 30 September 2020 (Unaudited)	21,064	1,699	22,763

20. ACCRUALS AND OTHER PAYABLES

	Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
Amount due to CCI (<i>note a</i>)	95,100	95,100
Amount due to related companies (<i>note b</i>)	3,609	4,451
Accrued salaries	5,388	5,936
Accrued expenses	1,018	1,200
Loans from CCI (<i>note c</i>)	2,100	–
Security deposits (<i>note d</i>)	5,118	4,913
Other payables	4,046	5,708
	<u>116,379</u>	<u>117,308</u>

- Notes:*
- (a) The amount due to CCI, a substantial shareholder of the Company is denominated in HK\$, unsecured, interest-free and repayable on 15 November 2020. On 1 November 2020, the Group agreed with CCI to postpone the maturity date to 15 November 2021 and the directors expect that the repayment date will be further postponed successfully.
 - (b) Those related companies are wholly owned by CCC. The amounts are denominated in HK\$ and RMB, unsecured, interest-free and repayable on demand.
 - (c) The loans from CCI is unsecured, interest-free and repayable on demand. The loans are denominated in HK\$.
 - (d) The amount represented the security deposits paid by CCC for the Heilongjiang Shentong CRC Shentong Card Payment system.

21. SHARE CAPITAL

	Unaudited At 30 September 2020		Audited At 31 March 2020	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At the beginning and the end of the period/year	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At the beginning and the end of the period/year	<u>1,895,697,017</u>	<u>18,957</u>	<u>1,895,697,017</u>	<u>18,957</u>

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed financial statements, the Group had the following material transactions with related parties during the period:

(a) Transactions with related parties

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loans from CCI	2,100	1,700	2,100	1,700
Promotion and management service income from CCC	99	2,469	398	7,268
Interest on promissory note payable to CCI	(476)	(475)	(943)	(943)
Salaries and allowance paid to a close family member of an executive director	(154)	(155)	(309)	(309)
Service fee to CCC				
— Web advertising expenses	—	(912)	—	(1,838)
— Customer service hotline rental	(231)	(1,148)	(521)	(2,397)
— Waiver of customer service hotline rental (note)	3	—	237	—
— CRC Shentong Card payment system management	(21)	(1,896)	(21)	(4,064)
— Server hosting service	(807)	(2,986)	(1,593)	(6,333)
— Waiver of server hosting service (note)	538	—	1,062	—
Service fee to related companies				
— Web advertising expenses	(804)	(812)	(1,579)	(1,614)
— Waiver of web advertising expenses (note)	804	—	1,579	—
— Heilongjiang Operation and Management Contract	(645)	(366)	(645)	(660)
— Rental of competition venue	—	(59)	—	(93)
— Office rental	(295)	(291)	(583)	(582)

Note: Due to the outbreak of COVID-19, total service fees of HK\$1,345,000 and HK\$2,878,000 have been waived by CCC and a related company during the three months ended and six months ended 30 September 2020.

- (b) A related party has provided course venue to the Group with nil consideration for the three months ended and six months ended 30 September 2019.
- (c) CCC provide office space to the Group with nil consideration for the three months ended and six months ended 30 September 2020 (six months ended 30 September 2019: Nil).
- (d) The remuneration of directors and other members of key management during the period was as follows:

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	1,021	1,826	2,055	3,665
Post-employment benefits	—	—	—	—
Other long-term benefits	—	—	—	—
Share-based payments	—	—	—	—
Termination benefits	—	—	—	—
	<u>1,021</u>	<u>1,826</u>	<u>2,055</u>	<u>3,665</u>

23. CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities (at 31 March 2020: Nil).

24. CAPITAL COMMITMENTS

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Purchase of property, plant and equipment		
— Contracted but not provide for	<u>639</u>	<u>613</u>

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 November 2020.

OTHER INFORMATION

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

As at 30 September 2020, 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
	Personal interests	Corporate interests	Total	
Mr. Bao Yueqing	2,844,000	–	2,844,000	0.15%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2020.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, 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	191,041,256	–	–	191,041,256	10.08%
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%

Notes:

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

Save as disclosed above, as at 30 September 2020, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CHANGES IN INFORMATION OF DIRECTORS

There are no matters that need to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “2013 Share Option Scheme”) pursuant to an ordinary resolution passed on 7 August 2013. Details of the 2013 Share Option Scheme have been set out in the Company’s annual report of year 2019/20.

There is no outstanding options which have been granted under 2013 Share Option Scheme as at 30 September 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares on the GEM during the six months ended 30 September 2020.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. During the six months ended 30 September 2020, it comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company’s qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group’s internal control system.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 2020. The audit committee is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

Having made specific enquiry of all Directors, the Board has confirmed that all Directors have complied with the principles and code provisions (the “Code Provisions”) set out in the CG Code during the six months ended 30 September 2020, 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 31 July 2020 (the “2020 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 2020 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 2020 AGM to answer and address questions raised by shareholders at the 2020 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2020.

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 November 2020

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.