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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

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 2021 (the "Year").

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK$5,233,000 for the year ended 31 March 2021, representing a decrease of approximately 95.9% as compared to approximately HK$128,841,000 for the year ended 31 March 2020.

The Group made a loss attributable to owners of the Company of approximately HK$23,202,000 for the year ended 31 March 2021, representing a decrease of approximately 90.0% as compared to approximately HK$233,033,000 for the year ended 31 March 2020. The improvement was mainly due to the decrease in the total of the impairment losses on certain property, plant and equipment, right-of-use assets, goodwill and intangible assets (the "Impairment Losses") from approximately HK$335,830,000 for the year ended 31 March 2020 to nil for the year ended 31 March 2021.

BUSINESS REVIEW

The principal business activities of the Group are the provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC (the "Promotion and Management Business") and organizing and hosting China Robot Competition and provision of robotics related education, training and consultancy services in the PRC (the "Robotics Business"). The Group recorded a decrease of approximately 95.9% in revenue for the year ended 31 March 2021 as compared with that for the year ended 31 March 2020. The decrease in the revenue of the Group for the financial period was primarily due to the prolonged impositions of governmental social distancing measures and the disruptions to economic activities caused by the outbreak of COVID-19.

As the COVID-19 outbreak has widespread negative impact on all businesses in general, the businesses of the ultimate customers of CCC, being a company which wholly-owns CCI which in turn is a substantial shareholder of the Company, have been adversely affected while some of which had even become insolvent, and the scale-down of CCC's ultimate customers and its implementation of cost control measures in turn had led to a decrease in the revenue of CCC from hotline rental and server hosting and hence a decrease in promotion and after-sale services fees received by the Group. Further, the revenue generated from the Promotion and Management Business had decreased due to the reasons that marketing and promotion activities such as client pitching could not be conducted due to the outbreak of COVID-19 in the PRC, and that there were less active players for CCC's card game mobile application which uses the Designated Shentong Card system as a result from the Group putting more resources to the Robotics Business as the growth of the Promotion and Management Business was low or even negative before the COVID-19 outbreak.

In relation to the Robotics Business, robotics classes of our Group which are normally conducted at schools and training centres of the Group have been suspended for the period from the end of the January 2020 to August 2020 and from the start of the January 2021 to mid of the February 2021 due to the precaution measures imposed by the local government in the PRC. Further to the suspension measures, the following precaution measures were occasionally imposed during the year, (i) schools have been compelled to shorten their lesson times and suspend classes for non-academic subjects, which include the robotics classes provided by the Group; (ii) the number of students per class is limited to 15, as required by measures imposed by the local government in the PRC; and (iii) all robotics competitions which are originally planned to be held by the Group and are normally an important channel for the Group to source its customers, have been completely suspended since January 2020 as a result of the COVID-19 outbreak.

In light of the foregoing circumstances, there was a significant decrease in the revenue of the Group for the year ended 31 March 2021 which could not fully cover the fixed costs of operation such as depreciation, staff costs, customer service hotline rental, server hosting fees, thus loss attributable to owners of the Company and gross loss incurred.

It is expected by the Group, based on its assessment of the current circumstances, upon the commencement of distribution of the COVID-19 vaccine, it is expected that the restriction measures will be gradually eased and the revenue will gradually recover afterward but the revenue level as recorded by the Group before the COVID-19 outbreak may not be attained in the short future. As explained above, it is considered by the Board that the drop in the Group's revenue was mainly due to the impact of the COVID-19 outbreak and as such, the loss-making position only indicated a temporary downturn.

In light of the current situation of the COVID-19 outbreak, the Group's business plan includes trying to adjust its robotics class arrangements to provide more online courses instead of physical classes, and it is expected that the Group will continue to apply its cost saving measures, including but not limited to, seeking to reduce the staff cost to the minimum necessary level and solicitate and negotiate with CCC for waiver of various expenses. The Company expects that, after the releasing of the current restriction measures imposed by the government authority, more training classes will gradually resume operation depending on the recovery of demand for students to attend the classes.

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 National School Sports Robot League 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 2021, together with the comparative figures for the corresponding year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Revenue	*3*	**5,233**	128,841
Cost of service		**(7,258)**	(44,392)
Gross (loss)/profit		**(2,025)**	84,449
Investment and other income	*4*	**1,218**	756
Other gains and losses, net	*5*	**(2,780)**	(332,120)
Reversal of impairment allowance/ (impairment allowance) on expected credit losses		**141**	(700)
Selling and distribution expenses		**(1,786)**	(11,838)
Administrative expenses		**(15,756)**	(25,987)
Loss from operations		**(20,988)**	(285,440)
Finance costs	*7*	**(2,238)**	(2,694)
Loss before tax		**(23,226)**	(288,134)
Income tax credit	*8*	**24**	55,101
Loss for the year attributable to owners of the Company	*9*	**(23,202)**	(233,033)
		HK cent	*HK cent*
Loss per share			
Basic (cents per share)	*11(a)*	**(1.22)**	(12.29)
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 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(23,202)**	(233,033)
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**23,486**	(28,912)
Total comprehensive income for the year attributable to owners of the Company	**284**	(261,945)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**623**	2,060
Right-of-use assets		**1,639**	4,349
Goodwill	13	**–**	–
Intangible assets	14	**87,740**	80,969
Total non-current assets		**90,002**	87,378
Current assets			
Prepayments, deposits and other receivables	15	**5,793**	18,397
Bank and cash balances		**275,423**	262,599
Total current assets		**281,216**	280,996
TOTAL ASSETS		**371,218**	368,374
EQUITY AND LIABILITIES			
Share capital	18	**18,957**	18,957
Reserves		**19,083**	18,799
Total equity		**38,040**	37,756
LIABILITIES			
Non-current liabilities			
Lease liabilities		**–**	2,407
Promissory note	16	**111,404**	109,515
Deferred tax liabilities		**23,672**	21,844
Total non-current liabilities		**135,076**	133,766
Current liabilities			
Contract liabilities		**39,592**	39,574
Receipt in advance		**12**	12
Accruals and other payables	17	**114,423**	117,308
Interest free loans from a substantial shareholder of the Company, China Communication Investment Limited ("CCI")		**8,300**	–
Lease liabilities		**2,731**	4,308
Current tax liabilities		**33,044**	35,650
Total current liabilities		**198,102**	196,852
TOTAL EQUITY AND LIABILITIES		**371,218**	368,374

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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group's is not affected by the interest rate benchmark reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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

	2021			2020		
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	**562**	**–**	**562**	9,498	–	9,498
Robotics Education and Others						
— Robotics course	**–**	**4,671**	**4,671**	–	110,459	110,459
— Rental of training equipment	**–**	**–**	**–**	–	1,542	1,542
— Competition admission	**–**	**–**	**–**	–	3,828	3,828
— Robotics international exchange programme registration fee	**–**	**–**	**–**	–	3,514	3,514
	–	**4,671**	**4,671**	–	119,343	119,343
Total	**562**	**4,671**	**5,233**	9,498	119,343	128,841
Geographical market						
Mainland China	**562**	**4,671**	**5,233**	9,498	119,343	128,841
Time of revenue recognition						
A point in time	**–**	**–**	**–**	–	7,342	7,342
Over time	**562**	**4,671**	**5,233**	9,498	112,001	121,499
	562	**4,671**	**5,233**	9,498	119,343	128,841

(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 2021 and the expected timing of recognising revenue as follows:

	Robotics Education and Others	
	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**39,592**	39,574
More than 1 year	**–**	–
	39,592	39,574

4. INVESTMENT AND OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Interest income	**581**	734
Government grant*	**324**	–
Others	**313**	22
	1,218	756

* During the year, the Group recognised government grants of HK$324,000 in respect of COVID-19 under subsidies for Employment Support Scheme provided by the Hong Kong Government.

5. OTHER GAINS AND LOSSES, NET

	2021	2020
	HK$'000	*HK$'000*
Exchange (loss)/gain	**(2,946)**	2,387
Gain on early termination of lease	**112**	–
Gain on disposal of property, plant and equipment	**54**	114
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)
Others	**–**	(47)
	(2,780)	(332,120)

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:

	2021			2020		
	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)	**562**	**4,671**	**5,233**	9,498	119,343	128,841
Segment loss	**(1,903)**	**(9,006)**	**(10,909)**	(4,304)	(267,784)	(272,088)
Interest income	**21**	**560**	**581**	44	689	733
Depreciation and amortisation	**(117)**	**(1,919)**	**(2,036)**	(2,051)	(10,699)	(12,750)
Other materials non-cash items:						
Gain on early termination of lease *(note 5)*	**112**	**–**	**112**	–	–	–
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)
	112	**–**	**112**	(1,014)	(333,374)	(334,388)
Additions to segment non-current assets	**–**	**–**	**–**	189	2,843	3,032
As at 31 March						
Segment assets	**35,853**	**354,093**	**389,946**	34,976	348,017	382,993
Segment liabilities	**2,900**	**257,098**	**259,998**	2,776	261,976	264,752

Reconciliations of segment revenue, profit, assets and liabilities:

	2021 HK$'000	2020 HK$'000
Revenue		
Total revenue of reportable segments	**5,233**	128,841
Consolidated revenue	**5,233**	128,841
Profit or loss		
Total loss of reportable segments	**(10,909)**	(272,088)
Finance costs	**(2,238)**	(2,694)
Income tax credit	**24**	55,101
Unallocated amounts:		
Depreciation of right-of-use assets	**(2,179)**	(2,005)
Directors' emoluments and allowances	**(3,396)**	(4,106)
Legal and professional fee	**(922)**	(643)
Salaries and allowances	**(1,491)**	(3,719)
Other unallocated head office and corporate expenses	**(2,091)**	(2,879)
Consolidated loss for the year	**(23,202)**	(233,033)
Assets		
Total assets of reportable segments	**389,946**	382,993
Elimination of intersegment assets	**(126,915)**	(126,915)
Unallocated assets:		
Amount due from reportable segment	**105,000**	105,000
Bank and cash balances	**1,387**	3,291
Other unallocated head office and corporate assets	**1,800**	4,005
Consolidated total assets	**371,218**	368,374
Liabilities		
Total liabilities of reportable segment	**259,998**	264,752
Elimination of intersegment liabilities	**(126,915)**	(126,915)
Current tax liabilities	**33,044**	35,650
Deferred tax liabilities	**23,672**	21,844
Promissory note	**111,404**	109,515
Unallocated liabilities:		
Interest free loans from CCI	**8,300**	–
Other unallocated head office and corporate liabilities	**23,675**	25,772
Consolidated total liabilities	**333,178**	330,618

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

	2021	2020
	HK$'000	*HK$'000*
神州通信集團有限公司 (China Communication Group Co., Ltd.*), the holding company of CCI and is the substantial shareholder of the Company — Promotion and Management Services segment	**562**	9,498

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on promissory note payable to CCI	**1,889**	1,894
Interest expenses on lease liabilities	**349**	800
	2,238	2,694

8. INCOME TAX CREDIT

	2021	2020
	HK$'000	*HK$'000*
Current tax — PRC		
Provision for the year	**–**	17,138
Deferred tax	**(24)**	(72,239)
	(24)	(55,101)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2021 and 2020.

No provision for PRC Enterprise Income Tax is required since the Group has no assessable profit for the year ended 31 March 2021. (2020: PRC Enterprise Income Tax has been provided at a rate of 25%).

* *English name is for identification purpose only*

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

	2021	2020
	HK$'000	*HK$'000*
Loss before tax	**(23,226)**	(288,134)
Tax at the PRC Enterprise Income Tax rate of 25% (2020: 25%)	**(5,806)**	(72,033)
Tax effect of temporary differences not recognised	**(24)**	(72,239)
Tax effect of expenses that are not deductible	**3,051**	87,507
Tax effect of unused tax losses not recognised	**2,755**	1,124
PRC dividend tax	**–**	540
Income tax credit	**(24)**	(55,101)

9. LOSS FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
Auditor's remuneration		
— audit services	**625**	700
— other services	**505**	595
	1,130	1,295
Amortisation of intangible assets		
— included in cost of service	**95**	705
Depreciation of property, plant and equipment	**1,542**	8,330
Depreciation of right-of-use assets	**2,608**	5,751
Gain on disposal of property, plant and equipment *(note 5)*	**(54)**	(114)
Gain on early termination of lease *(note 5)*	**(112)**	–
Gain on modification of leases *(note 5)*	**–**	(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)	**935**	653
Operating lease charges for land and buildings	**–**	346
Written off of property, plant and equipment	**–**	186

10. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2020: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$23,202,000 (2020: HK$233,033,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2020: 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 2021 and 2020.

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

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, terminal growth rates and budgeted gross profit 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.

For the year ended 31 March 2021

Promotion and Management Services CGU

Certain property, plant and equipment and right-of-use assets are attributable to this CGU. During the year ended 31 March 2020, management assessed that all the aforementioned CGU assets were impaired. No further impairment is required for the year ended 31 March 2021.

Robotics Education and Others CGU

At 31 March 2021, property, plant and equipment, right-of-use assets and intangible assets with carrying amounts of HK$613,000, HK$732,000 and HK$87,740,000 (after impairment in year ended 31 March 2020) was allocated to the Robotics Education and Others CGU. 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 terminal growth rate of 2% (2020: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The Group has engaged external independent valuer to assist the management to estimate the recoverable amounts of the Robotics Education and Others CGU. The pre-tax discount rate used to discount the forecast cash flows of the CGU is 19.4% (2020: 24.3%). The change of pre-tax discount rate is mainly due to change in market debt-to-equity ratio for the reporting period.

Based on the result of the impairment testing at 31 March 2021, management assessed that no additional impairment is required for the year.

At 31 March 2021, the recoverable amount of Robotics Education and Others CGU (which is within the Robotics Education and Others segment) was approximately equal to its value in use. Any change in management assumptions would lead of further impairment of assets of this CGU.

For the year ended 31 March 2020

	Property, plant and equipment	**Right-of-use assets**	**Goodwill**	**Intangible assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(note 13)*	*HK$'000* *(note 14)*	*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 year ended 31 March 2020	7,113	5,891	36,068	286,758	335,830

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% . 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%. 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 2019	37,537
Exchange differences	(2,430)
At 31 March 2020 and 1 April 2020	35,107
Exchange differences	2,978
At 31 March 2021	38,085
Accumulated impairment losses	
As at 1 April 2019	–
Impairment loss *(note 12)*	36,068
Exchange differences	(961)
At 31 March 2020 and 1 April 2020	35,107
Exchange differences	2,978
At 31 March 2021	38,085
Carrying amount	
At 31 March 2021	–
At 31 March 2020	–

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 2019	384,583	2,202	386,785
Exchange differences	(24,893)	(143)	(25,036)
At 31 March 2020 and 1 April 2020	359,690	2,059	361,749
Exchange differences	30,511	175	30,686
At 31 March 2021	390,201	2,234	392,435
Accumulated amortisation and impairment losses			
At 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 and 1 April 2020	278,810	1,970	280,780
Amortisation for the year	–	95	95
Exchange differences	23,651	169	23,820
At 31 March 2021	302,461	2,234	304,695
Carrying amount			
At 31 March 2021	87,740	–	87,740
At 31 March 2020	80,880	89	80,969

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 this CGU.

Notes:

(i) Exclusive Rights represent the rights to use the CRC Shentong 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", a related company of 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 fully amortised (2020: 0.58 years).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Amount due from a substantial shareholder *(note)*	**1,730**	14,567
Other receivables	**485**	300
Prepayments and deposits	**3,578**	3,530
	5,793	18,397

Note: The amount due from CCC is denominated in RMB, unsecured, interest-free and repayable on demand.

16. PROMISSORY NOTE

As at 31 March 2021, the promissory note is held by CCI with principal amount of approximately HK$94,427,000 (2020: HK$94,427,000).

On 31 March 2020, the Group and CCI agreed to extend the maturity date from 30 June 2020 to 30 June 2021. On 31 March 2021, the Group and CCI agreed to further extend the maturity date from 30 June 2021 to 30 June 2022.

The principal amount of the promissory note is denominated in HK$. The promissory note is unsecured. As at 31 March 2021, the coupon rate is 2% per annum (2020: 2% per annum) and the effective interest rate is 1.70% (2020: 1.72%).

17. ACCRUALS AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Amount due to CCI *(note a)*	**95,100**	95,100
Amount due to CCC *(note b)*	**351**	–
Amounts due to related companies *(note c)*	**4,246**	4,451
Accrued salaries	**6,322**	5,936
Accrued expenses	**1,148**	1,200
Security deposits *(note d)*	**5,329**	4,913
Other payables	**1,927**	5,708
	114,423	117,308

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 2021.

(b) The amount due to CCC is denominated in RMB, unsecured, interest-free and repayable on demand.

(c) The amounts due to related companies are denominated in HK$ and RMB, unsecured, interest-free and repayable on demand. Those related companies are the subsidiaries of CCC and CCI.

(d) The amount represented the security deposits paid by CCC for the Heilongjiang Shentong CRC Shentong Card Payment system.

18. SHARE CAPITAL

	2021		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 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:

	2021	2020
	HK$'000	*HK$'000*
Total debt	**219,423**	209,066
Less: cash and cash equivalents	**(275,423)**	(262,599)
Net debt	**N/A**	N/A
Total equity	**38,040**	37,756
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.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Profitability

The Group recorded a revenue of approximately HK$5,233,000 (2020: approximately HK$128,841,000) for the year ended 31 March 2021, representing a decrease of approximately 95.9% as compared with the year ended 31 March 2020 which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

The Group's gross loss for the year ended 31 March 2021 amounted to approximately HK$2,025,000 as compared to gross profit of approximately HK$84,449,000 for the year ended 31 March 2020. 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 2021 was approximately HK$17,542,000 as compared to approximately HK$37,825,000 for the year ended 31 March 2020.

Loss Attributable to Owners of the Company

The Group made a loss attributable to owners of approximately HK$23,202,000 for the year ended 31 March 2021 as compared to approximately HK$233,033,000 for the year ended 31 March 2020. The improvement was mainly due to the decrease of Impairment Losses from approximately HK$335,830,000 for the year ended 31 March 2020 to nil for the year ended 31 March 2021.

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 2021, 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$111.4 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 2021, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date to 30 June 2022. As at 31 March 2021, the Group had outstanding loans from CCI of approximately HK$8.3 million (as at 31 March 2020: HK$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 31 March 2021 (as at 31 March 2020: Nil).

As at 31 March 2021, the Group had net current assets of approximately HK$83.1 million (as at 31 March 2020: approximately HK$84.1 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK$275.4 million (as at 31 March 2020: approximately HK$262.6 million) and prepayments, deposits and other receivables of approximately HK$5.8 million (as at 31 March 2020: approximately HK$18.4 million). The Group's current liabilities mainly include accruals and other payables of approximately HK$114.4 million (as at 31 March 2020: approximately HK$117.3 million), current tax liabilities of approximately HK$33.0 million (as at 31 March 2020: approximately HK$35.7 million), contract liabilities of approximately HK$39.6 million (as at 31 March 2020: approximately HK$39.6 million) and interest free loans from a substantial shareholder of the Company, CCI, of approximately HK$8.3 million (as at 31 March 2020: HK$ Nil).

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 2021, the gearing ratio was 292.9% (as at 31 March 2020: 290.1%).

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 2021 and 31 March 2020.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2021, the Group had 99 employees (2020: 136). The staff costs for the year ended 31 March 2021 was approximately HK$11.5 million (2020: HK$22.0 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 2021 and 31 March 2020, the Group had no significant investment. As at 31 March 2021, 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 2021 and 31 March 2020.

CAPITAL COMMITMENTS

The non-cancellable capital commitment as at 31 March 2021 is approximately HK$665,000 (2020: HK$613,000).

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 2021.

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 2021. 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.

CORPORATE GOVERNANCE PRACTICES

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 2021.

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 31 July 2020 (the "2020 AGM") and the extraordinary general meeting held on 30 March 2021 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 of the Company at the 2020 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 2021, 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 2020;

— Quarterly reports for the first quarter and third quarter of 2020/21;

— Interim report for the first six months of 2020/21; and

— Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2021 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 2021 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 3006, 30/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 30 July 2021 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, 18 June 2021

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.