



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 2022

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

CHAIRMAN’S STATEMENT

On behalf of the Board of the Directors (the “Board”), I am pleased to present the audited consolidated results of Shentong Robot Education Group Company Limited (“Shentong Robot Education” or the “Company”, together with its subsidiary companies, the “Group”) for the year ended 31 March 2022 (the “Year”).

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$12,161,000 for the year ended 31 March 2022, representing an increase of approximately 132.4% as compared to approximately HK\$5,233,000 for the year ended 31 March 2021.

The Group made a loss attributable to owners of the Company of approximately HK\$82,848,000 for the year ended 31 March 2022, representing an increase of approximately 257.1% as compared to approximately HK\$23,202,000 for the year ended 31 March 2021. The deterioration was mainly due to the loss on derecognition of intangible assets of approximately HK\$89,501,000 (the “Derecognition”). Adjusted loss before tax before the Derecognition was approximately HK\$16,503,000. The Derecognition is primarily non-cash and non-recurring in nature.

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 provision of robotics related education and training in the PRC (the “Robotics Business”). The Group recorded an increase of approximately 132.4% in revenue for the year ended 31 March 2022 as compared with that for the year ended 31 March 2021. The improvement was mainly attributable to the increase in revenue which primarily resulted from less suspension of robotics classes due to the precautionary measures imposed by the government authority in the current year. As the COVID-19 outbreak has widespread and negatively impacted 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, 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 are seriously interrupted due to the outbreak of COVID-19 in the PRC. As there were less active players for CCC’s card game mobile application which uses the Designated Shentong Card system, the Group had been putting more resources into 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 January 2020 to August 2020, from January 2021 to February 2021, from August 2021 to December 2021 and from March 2022 onward due to the precautionary measures imposed by the local government in the PRC.

It is expected by the Group, based on its assessment of the current circumstances, that the increasing vaccinated population and effective containing measures imposed should have a positive influence on the COVID-19 outbreak. The restriction measures should be gradually eased and the revenue will gradually recover. However, the revenue level as recorded by the Group before the COVID-19 outbreak may not be attained in the short future.

In light of the current situation of the COVID-19 outbreak, the Group's plans are to adjust its robotics class arrangements to provide more online courses instead of physical classes and continue to apply its cost saving measures, including but not limited to, seeking to reduce the staff cost to the minimum necessary level. The Company expects that, after the release 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.

On 18 November 2021, the Board was informed by Beijing Shentong Culture Club Co., Ltd. ("Beijing Shentong") that a written notice dated 12 November 2021 had been issued 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) ("SSDC") to Beijing Shentong that the CRC Organisation Contract would not be renewed upon its expiry on 31 December 2021 (the "Termination"). As such, the Heilongjiang CRC Authorisation will also lapse automatically on 31 December 2021 accordingly. The Board is of the view that the Termination will not pose any material adverse impact on the operation of the Group. It is the intention of the Group to continue to organize and develop robotic competitions and to provide robotic education and training courses under the Group's own brand after the lapse of the Heilongjiang CRC Authorisation. Upon the expiration of the China Robot Competition authorization, the exclusive rights classified as intangible assets had been fully derecognized, the Derecognition has been recognized accordingly. The Derecognition is primarily non-cash and non-recurring in nature. Details of the Derecognition is set out in note 13 to the consolidated financial statements.

* *English name is for identification purpose only*

PROSPECTS

Looking ahead, after the release of the current restriction measures, 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 2022, together with the comparative figures for the corresponding year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	12,161	5,233
Cost of service		<u>(7,982)</u>	<u>(7,258)</u>
Gross profit/(loss)		4,179	(2,025)
Investment and other income	4	1,189	1,218
Other gains and losses, net	5	(91,015)	(2,780)
(Impairment allowance)/Reversal of impairment allowance on expected credit losses		(891)	141
Selling and distribution expenses		(2,246)	(1,786)
Administrative expenses		<u>(15,183)</u>	<u>(15,756)</u>
Loss from operations		(103,967)	(20,988)
Finance costs	7	<u>(2,037)</u>	<u>(2,238)</u>
Loss before tax		(106,004)	(23,226)
Income tax credit	8	<u>23,156</u>	<u>24</u>
Loss for the year attributable to owners of the Company	9	<u><u>(82,848)</u></u>	<u><u>(23,202)</u></u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share			
Basic (cents per share)	11(a)	<u><u>(4.37)</u></u>	<u><u>(1.22)</u></u>
Diluted (cents per share)	11(b)	<u><u>N/A</u></u>	<u><u>N/A</u></u>

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

For the year ended 31 March 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(82,848)	(23,202)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>10,756</u>	<u>23,486</u>
Total comprehensive income for the year attributable to owners of the Company	<u>(72,092)</u>	<u>284</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		29	623
Right-of-use assets		2,354	1,639
Intangible assets	<i>13</i>	—	87,740
Total non-current assets		<u>2,383</u>	<u>90,002</u>
Current assets			
Prepayments, deposits and other receivables	<i>14</i>	3,226	5,793
Bank and cash balances		269,439	275,423
Total current assets		<u>272,665</u>	<u>281,216</u>
Current liabilities			
Contract liabilities		28,635	39,592
Receipt in advance		12	12
Accruals and other payables	<i>16</i>	117,451	114,423
Interest free loans from a substantial shareholder of the Company, China Communication Investment Limited (“CCI”)		15,750	8,300
Lease liabilities		4,050	2,731
Current tax liabilities		28,599	33,044
Total current liabilities		<u>194,497</u>	<u>198,102</u>
Net current assets		<u>78,168</u>	<u>83,114</u>
Total assets less current liabilities		<u>80,551</u>	<u>173,116</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		283	–
Promissory note	15	113,293	111,404
Deferred tax liabilities		1,027	23,672
		<u> </u>	<u> </u>
Total non-current liabilities		114,603	135,076
		<u> </u>	<u> </u>
TOTAL (LIABILITIES)/ASSETS		(34,052)	38,040
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Share capital	17	18,957	18,957
Reserves		(53,009)	19,083
		<u> </u>	<u> </u>
(CAPITAL DEFICIENCY)/TOTAL EQUITY		(34,052)	38,040
		<u> </u>	<u> </u>

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.

The Group had incurred a loss of approximately HK\$82,848,000 during the year ended 31 March 2022 and the Group had net liabilities of approximately HK\$34,052,000 as at 31 March 2022. 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 consolidated financial statements of the Group based on the following:

- (a) On 1 November 2021, the Group agreed with CCI, a substantial shareholder of the Company, to postpone the repayment date to 15 November 2022 for an amount of HK\$95,100,000 due to CCI. The directors expected that the repayment date can be further postponed and CCI agreed not to demand repayment until the Group have the ability to do so.
- (b) On 31 March 2022, the Group agreed with CCI to postpone the maturity date of the promissory note to 30 June 2023. The directors expected that the repayment date can be further postponed and CCI agreed not to demand repayment until the Group have the ability to do so.
- (c) CCI agreed not to demand repayment of loans amounted HK\$15,750,000 until the Group have the ability to do so.

- (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 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.
- (e) Notwithstanding the derecognition of intangible assets of Exclusive Rights on 31 December 2021, the Group has been continuing to provide robotic education and training courses under the Group’s own brand.

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 consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to these consolidated 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*

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

(a) Application of new and revised HKFRSs

The Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16,
Interest Rate Benchmark Reform — Phase 2***

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The amendments do not have an impact on these financial statements to the Group since the Group did not have any rent obtain rent concession during the year.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, 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 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022

	Effective for accounting periods beginning on or after
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
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	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

Reportable Segments	2022			2021		
	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of service						
Promotion and Management Services						
— Designated Shentong Cards	173	—	173	562	—	562
Robotics Education and Others						
— Robotics course	—	11,988	11,988	—	4,671	4,671
Total	173	11,988	12,161	562	4,671	5,233
Geographical market						
Mainland China	173	11,988	12,161	562	4,671	5,233
Time of revenue recognition						
Over time	173	11,988	12,161	562	4,671	5,233

(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 2022 and the expected timing of recognising revenue as follows:

	Robotics Education and Others	
	2022	2021
	HK\$'000	HK\$'000
Within 1 year	28,635	39,592
More than 1 year	—	—
	28,635	39,592

4. INVESTMENT AND OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
Interest income	631	581
Government grant*	—	324
Others	558	313
	1,189	1,218

* For year ended 31 March 2021, 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

	2022	2021
	HK\$'000	HK\$'000
Exchange loss	(1,514)	(2,946)
Gain on early termination of lease	—	112
Gain on disposal of property, plant and equipment	—	54
Loss on derecognition of intangible assets — Exclusive Rights (<i>note 13</i>)	(89,501)	—
	(91,015)	(2,780)

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	—	Provision of robotics 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:

	2022			2021		
	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	Promotion and Management Services <i>HK\$'000</i>	Robotics Education and Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March						
Revenue from external customer (including a related company)	173	11,988	12,161	562	4,671	5,233
Segment loss	(1,402)	(93,428)	(94,830)	(1,903)	(9,006)	(10,909)
Interest income	18	613	631	21	560	581
Depreciation and amortisation	–	(1,375)	(1,375)	(117)	(1,919)	(2,036)
Other materials non-cash items:						
Gain on early termination of lease (note 5)	–	–	–	112	–	112
(Impairment allowance)/Reversal of impairment allowance on expected credit losses	–	(891)	(891)	–	141	141
Loss on derecognition of intangible assets — Exclusive Rights (note 13)	–	(89,501)	(89,501)	–	–	–
Additions to segment non-current assets	–	–	–	–	–	–
As at 31 March						
Segment assets	36,279	258,235	294,514	35,853	354,093	389,946
Segment liabilities	<u>3,386</u>	<u>249,308</u>	<u>252,694</u>	<u>2,900</u>	<u>257,098</u>	<u>259,998</u>

Reconciliations of segment revenue, profit, assets and liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	<u>12,161</u>	<u>5,233</u>
Consolidated revenue	<u><u>12,161</u></u>	<u><u>5,233</u></u>
Profit or loss		
Total loss of reportable segments	(94,830)	(10,909)
Finance costs	(2,037)	(2,238)
Income tax credit	23,156	24
Unallocated amounts:		
Depreciation of property, plant and equipment	(17)	(29)
Depreciation of right-of-use assets	(1,624)	(2,179)
Directors' emoluments and allowances	(3,256)	(3,396)
Legal and professional fee	(662)	(922)
Salaries and allowances	(1,702)	(1,491)
Other unallocated head office and corporate expenses	<u>(1,876)</u>	<u>(2,062)</u>
Consolidated loss for the year	<u><u>(82,848)</u></u>	<u><u>(23,202)</u></u>
Assets		
Total assets of reportable segments	294,514	389,946
Elimination of intersegment assets	(127,524)	(126,915)
Unallocated assets:		
Amount due from reportable segment	105,000	105,000
Bank and cash balances	1,248	1,387
Other unallocated head office and corporate assets	<u>1,810</u>	<u>1,800</u>
Consolidated total assets	<u><u>275,048</u></u>	<u><u>371,218</u></u>
Liabilities		
Total liabilities of reportable segment	252,694	259,998
Elimination of intersegment liabilities	(127,524)	(126,915)
Current tax liabilities	28,599	33,044
Deferred tax liabilities	1,027	23,672
Promissory note	113,293	111,404
Unallocated liabilities:		
Interest free loans from CCI	15,750	8,300
Other unallocated head office and corporate liabilities	<u>25,261</u>	<u>23,675</u>
Consolidated total liabilities	<u><u>309,100</u></u>	<u><u>333,178</u></u>

Geographical information

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

Revenue from major customer

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CCC — Promotion and Management Services segment	<u>173</u>	<u>562</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on promissory note payable to CCI	1,889	1,889
Interest expenses on lease liabilities	<u>148</u>	<u>349</u>
	<u>2,037</u>	<u>2,238</u>

8. INCOME TAX CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — PRC		
Provision for the year	—	—
Deferred tax	<u>(23,156)</u>	<u>(24)</u>
	<u>(23,156)</u>	<u>(24)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2022 and 2021.

No provision for PRC Enterprise Income Tax is required since the Group has no assessable profit for the year ended 31 March 2022 and 2021.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax	<u>(106,004)</u>	<u>(23,226)</u>
Tax at the PRC Enterprise Income Tax rate of 25% (2021: 25%)	(26,500)	(5,806)
Tax effect of temporary differences not recognised	(23,156)	(24)
Tax effect of expenses that are not deductible	25,600	3,051
Tax effect of unused tax losses not recognised	<u>900</u>	<u>2,755</u>
Income tax credit	<u><u>(23,156)</u></u>	<u><u>(24)</u></u>

9. LOSS FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
— audit services	580	625
— other services	360	505
Amortisation of intangible assets		
— included in cost of service	–	95
Depreciation of property, plant and equipment	636	1,542
Depreciation of right-of-use assets	2,380	2,608
Gain on disposal of property, plant and equipment (note 5)	–	(54)
Gain on early termination of lease (note 5)	–	(112)
Loss on derecognition of intangible assets		
— Exclusive Rights (note 13)	89,501	–
Legal and professional fee (excluding auditor's remuneration)	706	935
Operating lease charges for land and buildings	<u><u>32</u></u>	<u><u>–</u></u>

10. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2021: 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\$82,848,000 (2021: HK\$23,202,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2021: 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 2022 and 2021.

12. ROBOTICS EDUCATION AND OTHERS CASH GENERATING UNITS (“CGU”)

As at 31 March 2022

On 18 November 2021, the Company was informed by Beijing Shentong Culture Club Co., Ltd. (“Beijing Shentong”) by written notice dated on 12 November 2021 that the China Robot Competition (全國素質體育機器人運動會) (“CRC”) Organisation Contract between Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong would not be renewed upon its expiry on 31 December 2021. As such, the Heilongjiang CRC Authorisation lapsed automatically on 31 December 2021 accordingly. Therefore, the Group had derecognised the Exclusive Rights on the same day. Details are set out in the Company’s announcement dated on 18 November 2021.

At 31 March 2022, property, plant and equipment and right-of-use assets with carrying amounts of HK\$10,000 (after impairment in year ended 31 March 2020) and HK\$1,051,000 (after impairment in year ended 31 March 2020) was allocated to the Robotics Education and Others CGU.

The Group’s management have estimated the recoverable amount of Robotics Education and Others CGU and no further impairment is required for the year ended 31 March 2022.

As at 31 March 2021

The recoverable amounts of the Robotics Education and Others CGU 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 Robotics Education and Others 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.

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%. 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 19.7%.

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

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.

13. INTANGIBLE ASSETS

	Exclusive Rights <i>HK\$'000</i> <i>(note (i))</i>	Mobile Application <i>HK\$'000</i> <i>(note (ii))</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2020	359,690	2,059	361,749
Exchange differences	30,511	175	30,686
	<u>390,201</u>	<u>2,234</u>	<u>392,435</u>
At 31 March 2021 and 1 April 2021	390,201	2,234	392,435
Derecognition	(398,030)	–	(398,030)
Exchange differences	7,829	92	7,921
	<u>–</u>	<u>2,326</u>	<u>2,326</u>
At 31 March 2022	–	2,326	2,326
Accumulated amortisation and impairment losses			
At 1 April 2020	278,810	1,970	280,780
Amortisation for the year	–	95	95
Exchange differences	23,651	169	23,820
	<u>302,461</u>	<u>2,234</u>	<u>304,695</u>
At 31 March 2021 and 1 April 2021	302,461	2,234	304,695
Derecognition	(308,529)	–	(308,529)
Exchange differences	6,068	92	6,160
	<u>–</u>	<u>2,326</u>	<u>2,326</u>
At 31 March 2022	–	2,326	2,326
Carrying amount			
At 31 March 2022	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2021	<u>87,740</u>	<u>–</u>	<u>87,740</u>

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 (note 12).

Notes:

- (i) Exclusive Rights represent the rights to use the CRC Shengtong Card payment system, to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC.

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

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

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

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

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

On 18 November 2021, the Company was informed by Beijing Shengtong by written notice dated on 12 November 2021 that the CRC Organisation Contract between Social Sports Direction Centre of the General Administration of Sport and Beijing Shengtong would not be renewed upon its expiry on 31 December 2021. As such, the Heilongjiang CRC Authorisation lapsed automatically on 31 December 2021 accordingly. Therefore, the Group had derecognised the Exclusive Rights on the same day. Details are set out in the Company’s announcement dated on 18 November 2021.

- (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 since year ended 31 March 2021.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amount due from a substantial shareholder (<i>note</i>)	–	1,730
Other receivables	317	485
Prepayments and deposits	<u>2,909</u>	<u>3,578</u>
	<u><u>3,226</u></u>	<u><u>5,793</u></u>

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

15. PROMISSORY NOTE

As at 31 March 2022, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2021: HK\$94,427,000).

On 31 March 2021, the Group and CCI agreed to extend the maturity date from 30 June 2021 to 30 June 2022. On 31 March 2022, the Group and CCI agreed to further extend the maturity date from 30 June 2022 to 30 June 2023.

The principal amount of the promissory note is denominated in HK\$. The promissory note is unsecured. As at 31 March 2022, the coupon rate is 2% per annum (2021: 2% per annum) and the effective interest rate is 1.67% (2021: 1.70%).

16. ACCRUALS AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amount due to CCI (<i>note a</i>)	95,100	95,100
Amount due to CCI (<i>note b</i>)	564	–
Amount due to CCC (<i>note c</i>)	5,978	351
Amounts due to related companies (<i>note d</i>)	602	4,246
Accrued salaries	6,385	6,322
Accrued expenses	1,393	1,148
Security deposits (<i>note e</i>)	5,550	5,329
Other payables	<u>1,879</u>	<u>1,927</u>
	<u><u>117,451</u></u>	<u><u>114,423</u></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 2022.
- (b) The amount due to CCI, a substantial shareholder of the Company is denominated in HK\$, unsecured, interest-free and repayable on demand.
- (c) The amount due to CCC, a substantial shareholder of the Company is denominated in RMB, unsecured, interest-free and repayable on demand.
- (d) 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.
- (e) The amount represented the security deposits paid by CCC for the Heilongjiang Shentong Card Payment system.

17. SHARE CAPITAL

	2022		2021	
	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	<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 year	<u>1,895,697,017</u>	<u>18,957</u>	<u>1,895,697,017</u>	<u>18,957</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total debt	231,287	219,423
Less: cash and cash equivalents	(269,439)	(275,423)
Net debt	N/A	N/A
(Capital deficiency)/Total equity	(34,052)	38,040
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.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT ON THE GROUP’S CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2* to the consolidated financial statements, which indicates that, the Group had incurred a loss of approximately HK\$82,848,000 for the year ended 31 March 2022 and the Group had net liabilities of approximately HK\$34,052,000 as at 31 March 2022. 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. Our opinion is not modified in respect of this matter.

* As reproduced in note 1 of this announcement

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Profitability

The Group recorded a revenue of approximately HK\$12,161,000 (2021: approximately HK\$5,233,000) for the year ended 31 March 2022, representing an increase of approximately 132.4% as compared with the year ended 31 March 2021 which was primarily due to increase in revenue which was primarily due to there were less suspension of classes in current year.

The Group's gross profit for the year ended 31 March 2022 amounted to approximately HK\$4,179,000 as compared to gross loss of approximately HK\$2,025,000 for the year ended 31 March 2021. The improvement was mainly attributable to the increase in revenue which was primarily due to there were less suspension of classes in current year.

Selling and distribution and administrative expenses for the year ended 31 March 2022 was approximately HK\$17,429,000 as compared to approximately HK\$17,542,000 for the year ended 31 March 2021.

Loss Attributable to Owners of the Company

The Group made a loss attributable to owners of approximately HK\$82,848,000 for the year ended 31 March 2022 as compared to approximately HK\$23,202,000 for the year ended 31 March 2021. The deterioration was mainly due to the Derecognition.

Segment Information

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

Liquidity and Financial Resources

As at 31 March 2022, the Group had outstanding promissory note at principal amount of approximately HK\$94.4 million (as at 31 March 2021: approximately HK\$94.4 million) with carrying value of approximately HK\$113.3 million (as at 31 March 2021: approximately HK\$111.4 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 March 2022, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date to 30 June 2023. As at 31 March 2022, the Group had outstanding loans from CCI of approximately HK\$15.8 million (as at 31 March 2021: HK\$8.3 million). 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 2022 (as at 31 March 2021: Nil).

As at 31 March 2022, the Group had net current assets of approximately HK\$78.2 million (as at 31 March 2021: approximately HK\$83.1 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK\$269.4 million (as at 31 March 2021: approximately HK\$275.4 million) and prepayments, deposits and other receivables of approximately HK\$3.2 million (as at 31 March 2021: approximately HK\$5.8 million). The Group's current liabilities mainly include accruals and other payables of approximately HK\$117.5 million (as at 31 March 2021: approximately HK\$114.4 million), current tax liabilities of approximately HK\$28.6 million (as at 31 March 2021: approximately HK\$33.0 million), contract liabilities of approximately HK\$28.6 million (as at 31 March 2021: approximately HK\$39.6 million) and interest free loans from a substantial shareholder of the Company, CCI, of approximately HK\$15.8 million (as at 31 March 2021: HK\$8.3 million).

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

Gearing Ratio

The gearing ratio is measured by total interest-bearing borrowings as a percentage of share capital. As at 31 March 2022, the gearing ratio was 597.6% (as at 31 March 2021: 587.7%).

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 2022 and 31 March 2021.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2022, the Group had 84 employees (2021: 99). The staff costs for the year ended 31 March 2022 was approximately HK\$11.6 million (2021: HK\$11.5 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 2022 and 31 March 2021, the Group had no significant investment. As at 31 March 2022, 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 2022 and 31 March 2021.

CAPITAL COMMITMENTS

The non-cancellable capital commitment as at 31 March 2022 is HK\$Nil (2021: approximately HK\$665,000).

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 2022.

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 2022. 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 2022.

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 Liquan and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 30 July 2021 (the “2021 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 2021 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 2021 AGM to answer and address questions raised by shareholders of the Company at the 2021 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 2022, 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 2021;
- Quarterly reports for the first quarter and third quarter of 2021/22;

- Interim report for the first six months of 2021/22; and
- Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2022 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, insert other statements if presented in the preliminary announcement and the related notes thereto for the year ended 31 March 2022 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 draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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, 29 July 2022 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, 17 June 2022

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.