



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 2023**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
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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 2023 (the “Year”).

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue from continuing operation of approximately HK\$15,602,000 for the year ended 31 March 2023, representing an increase of approximately 30.1% as compared to approximately HK\$11,988,000 (Re-presented) for the year ended 31 March 2022.

The Group made a loss for the year of approximately HK\$3,579,000 for the year ended 31 March 2023, as compared to approximately HK\$82,848,000 for the year ended 31 March 2022. The improvement was mainly due to the increase in revenue and there was a derecognition of intangible assets of approximately HK\$89,501,000 (the “Derecognition”) for the year ended 31 March 2022. The Derecognition is 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 the provision of robotics related education and training in the PRC (the “Robotics Business”). In order to concentrate resources for capturing opportunities for recovery of the Robotics Business after the epidemic, the Promotion and Management Business has been discontinued during the year. The Group recorded an increase of approximately 30.1% in revenue for the year ended 31 March 2023 as compared with that for the year ended 31 March 2022.

In relation to the Robotics Business, physical robotics classes of our Group which are normally conducted at schools and training centres of the Group have been suspended for the period from August 2021 to December 2021, from March 2022 to early June 2022 and from late September 2022 to January 2023 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.

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, and it is expected that the results will have a steady growth.

PROSPECTS

Looking ahead, after the release of the 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 2023, together with the comparative figures for the corresponding year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i> (Re-presented)
Continuing operation			
Revenue	3	15,602	11,988
Cost of service		<u>(7,604)</u>	<u>(7,396)</u>
Gross profit		7,998	4,592
Investment and other income	4	406	1,135
Other gains and losses, net	5	3,074	(91,015)
Reversal of impairment allowance/(impairment allowance) on expected credit losses		625	(935)
Selling and distribution expenses		(1,413)	(2,048)
Administrative expenses		<u>(12,343)</u>	<u>(14,294)</u>
Loss from operations		(1,653)	(102,565)
Finance costs	7	<u>(995)</u>	<u>(2,037)</u>
Loss before tax		(2,648)	(104,602)
Income tax credit	8	<u>–</u>	<u>23,156</u>
Loss for the year from continuing operation	9	(2,648)	(81,446)
Discontinued operation			
Loss for the year from discontinued operation		<u>(931)</u>	<u>(1,402)</u>
Loss for the year		<u>(3,579)</u>	<u>(82,848)</u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share			
From continuing and discontinued operation			
Basic (cents per share)	<i>12(a)</i>	<u>(0.19)</u>	<u>(4.37)</u>
Diluted (cents per share)	<i>12(b)</i>	<u>N/A</u>	<u>N/A</u>
From continuing operation			
Basic (cents per share)		<u>(0.14)</u>	<u>(4.30)</u>
Diluted (cents per share)		<u>N/A</u>	<u>N/A</u>

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

For the year ended 31 March 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(3,579)	(82,848)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(15,212)</u>	<u>10,756</u>
Total comprehensive income for the year attributable to owners of the Company	<u>(18,791)</u>	<u>(72,092)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		5	29
Right-of-use assets		3,310	2,354
Intangible assets	13	—	—
		<hr/>	<hr/>
Total non-current assets		3,315	2,383
Current assets			
Prepayments, deposits and other receivables	14	3,141	3,226
Bank and cash balances		125,439	269,439
		<hr/>	<hr/>
Total current assets		128,580	272,665
Current liabilities			
Contract liabilities		12,164	28,635
Receipt in advance		12	12
Accruals and other payables	15	119,525	117,451
Loans from a substantial shareholder		21,450	15,750
Lease liabilities		680	4,050
Current tax liabilities		27,017	28,599
		<hr/>	<hr/>
Total current liabilities		180,848	194,497
Net current (liabilities)/assets		(52,268)	78,168
		<hr/>	<hr/>
Total assets less current liabilities		(48,953)	80,551

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		2,863	283
Promissory note	16	–	113,293
Deferred tax liabilities		1,027	1,027
Total non-current liabilities		3,890	114,603
NET LIABILITIES		(52,843)	(34,052)
CAPITAL AND RESERVES			
Share capital	17	18,957	18,957
Reserves		(71,800)	(53,009)
CAPITAL DEFICIENCY		(52,843)	(34,052)

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). Significant accounting policies adopted by the Group are disclosed below.

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\$3,579,000 during the year ended 31 March 2023 and, the Group had net current liabilities and net liabilities of approximately HK\$52,268,000 and HK\$52,843,000 as at 31 March 2023. 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 of the Company (the “Director”) had adopted the going concern basis in the preparation of these consolidated financial statements of the Company based on the following:

- (a) The Group’s contract liabilities as at 31 March 2023 amounted to HK\$12,164,000 was deferred income in nature and would not require settlement in form of bank and cash balances.
- (b) On 1 November 2022, the Group agreed with China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, to postpone the repayment date to 15 November 2023 for an amount of HK\$95,100,000 due to CCI. The repayment date was further extended to 15 August 2024 on 1 June 2023. The Directors expect 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 amounting HK\$21,450,000 until the Group has 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.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020

Except for Amendments to HKFRS 16 (March 2021), the Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements. The impact from the adoption of Amendments to HKFRS 16 (March 2021) are recognized as below:

In the prior year, the Group adopted Amendment to HKFRS 16 (May 2020) — Covid-19 Related Rent Concession for a rent concession related to Covid-19, resulting in a reduction in lease payments due on or before 30 June 2021. In the current year, the Group has adopted the Amendment to HKFRS 16 (March 2021) — Covid-19 Related Rent Concessions beyond 30 June 2021 to extend the date of applicable lease payments from 30 June 2021 to 30 June 2022 retrospectively.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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) Revenue from contracts with customers within the scope of HKFRS 15

The Group is principally engaged in the provision of robotics education course in Heilongjiang Province in the PRC. The revenue from continuing operation was recognised over time.

(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 2023 and the expected timing of recognising revenue as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	<u>12,164</u>	<u>28,635</u>

4. INVESTMENT AND OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Continuing operation		
Interest income	302	614
Government grant*	104	–
Others	–	521
	<u>406</u>	<u>1,135</u>

* For year ended 31 March 2023, the Group recognized government grants of HK\$104,000 in respect of COVID — 19 under subsidies for Employment Support Scheme provided by the Hong Kong Government.

5. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operation		
Exchange gain/(loss)	2,676	(1,514)
Gain on disposal of property, plant and equipment	398	–
Loss on derecognition of intangible assets		
— Exclusive Rights (<i>note 13</i>)	–	(89,501)
	<u>3,074</u>	<u>(91,015)</u>

6. SEGMENT INFORMATION

The Group has the one operating segment from continuing operation:

Robotics Education — Provision of robotics education course in Heilongjiang
and Others Province in the PRC.

Promotion and Management Services segment was discontinued since 31 March 2023. The segment information reported does not include any amounts for the discontinued operation, which is described in more detail in note 10.

After the discontinuation of promotion and management services segment since 31 March 2023, the executive directors of the Company, being the chief operating decision maker, no longer review discrete financial information on the discontinued operation and consider the provision of robotics education course in Heilongjiang Province in the PRC as a single operating segment.

The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation.

The Group's reportable segment is strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

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 segment's profit or loss, assets and liabilities from continuing operation:

	Robotics Education and Others	
	2023	2022
	HK\$'000	HK\$'000
Year ended 31 March		
Revenue from external customer	15,602	11,988
Segment profit/(loss)	5,915	(93,428)
Interest income	302	613
Depreciation and amortisation	(1,511)	(1,375)
Other materials non-cash items:		
Other material items of non-cash items		
(Impairment allowance)/reversal of impairment allowance on expected credit losses	625	(891)
Loss on derecognition of intangible assets — Exclusive Rights (<i>note 13</i>)	–	(89,501)
Additions to segment non-current assets	3,546	1,019
As at 31 March		
Segment assets	235,677	258,235
Segment liabilities	232,599	249,308

Reconciliations of segment revenue, profit, assets and liabilities from continuing operation:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Revenue		
Total revenue of reportable segment	<u>15,602</u>	<u>11,988</u>
Consolidated revenue from continuing operation	<u><u>15,602</u></u>	<u><u>11,988</u></u>
Profit or loss		
Total profit/(loss) of reportable segment	5,915	(93,428)
Finance costs	(995)	(2,037)
Income tax credit	–	23,156
Unallocated amounts:		
Depreciation of property, plant and equipment	(14)	(17)
Depreciation of right-of-use assets	(1,010)	(1,624)
Directors' emoluments and allowances	(2,556)	(3,256)
Legal and professional fee	(1,657)	(1,584)
Salaries and allowances	(1,432)	(1,702)
Other unallocated head office and corporate expenses	<u>(899)</u>	<u>(954)</u>
Consolidated loss for the year from continuing operation	<u><u>(2,648)</u></u>	<u><u>(81,446)</u></u>
Assets		
Total assets of reportable segment	235,677	258,235
Elimination of intersegment assets	(242,508)	(127,524)
Unallocated assets:		
Amount due from reportable segment	105,000	105,000
Bank and cash balances	32,950	37,359
Other unallocated head office and corporate assets	<u>776</u>	<u>1,978</u>
Consolidated total assets	<u><u>131,895</u></u>	<u><u>275,048</u></u>
Liabilities		
Total liabilities of reportable segment	232,599	249,308
Elimination of intersegment liabilities	(128,475)	(127,524)
Current tax liabilities	27,017	28,599
Deferred tax liabilities	1,027	1,027
Promissory note	–	113,293
Unallocated liabilities:		
Loans from a substantial shareholder	21,450	15,750
Other unallocated head office and corporate liabilities	<u>31,120</u>	<u>28,647</u>
Consolidated total liabilities	<u><u>184,738</u></u>	<u><u>309,100</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 (Re-presented)

No customer accounted for 10 percent or more of the Group's revenue for both years 2023 and 2022.

7. FINANCE COSTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operation		
Interest on promissory note payable to CCI	741	1,889
Interest expenses on lease liabilities	254	148
	<u>995</u>	<u>2,037</u>

8. INCOME TAX CREDIT

Income tax relating to continuing operation has been recognised in profit or loss as following:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operation		
Current tax — PRC		
Provision for the year	—	—
Deferred tax	—	(23,156)
	<u>—</u>	<u>(23,156)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2023 and 2022.

No provision for PRC Enterprise Income Tax is required since the Group has no assessable profit for the years ended 31 March 2023 and 2022.

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:

	2023	2022
	HK\$'000	HK\$'000
Loss before tax from continuing operation	(2,648)	(104,602)
Loss before tax from discontinued operation	(931)	(1,402)
	<u>(3,579)</u>	<u>(106,004)</u>
Tax at the PRC Enterprise Income Tax rate of 25% (2022: 25%)	(895)	(26,500)
Tax effect of temporary differences not recognised	–	(23,156)
Tax effect of expenses that are not deductible	2,192	25,600
Tax effect of income that are not taxable	(154)	–
Tax effect of unused tax losses not recognised	–	900
Tax effect of utilisation tax losses not previously recognised	(1,143)	–
	<u>(1,143)</u>	<u>–</u>
Income tax credit	<u>–</u>	<u>(23,156)</u>

9. LOSS FOR THE YEAR FROM CONTINUING OPERATION

The Group's loss for the year from continuing operation is stated after charging the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Auditor's remuneration		
— audit services	600	580
— other services	350	360
	950	940
Depreciation of property, plant and equipment	23	636
Depreciation of right-of-use assets	2,512	2,380
Loss on derecognition of intangible assets		
— Exclusive Rights (<i>note 13</i>)	–	89,501
Legal and professional fee (excluding auditor's remuneration)	737	672
Short term lease charges for land and buildings	<u>–</u>	<u>32</u>

10. DISCONTINUED OPERATION

On 31 March 2023, the Directors passed a resolution to discontinue the Group's operation with the immediate effect. The promotion and management services segment has been discontinued since then.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year from discontinued operation		
Revenue	70	173
Cost of service	<u>–</u>	<u>(586)</u>
Gross profit/(loss)	70	(413)
Investment and other income	15	54
(Impairment allowance)/reversal of impairment allowance on expected credit losses	(10)	44
Selling expenses	(114)	(198)
Administrative expenses	<u>(892)</u>	<u>(889)</u>
Loss from operation	(931)	(1,402)
Income tax expense	<u>–</u>	<u>–</u>
Loss for the year from discontinued operation	<u>(931)</u>	<u>(1,402)</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash flows from discontinued operation:		
Net cash outflows from operating activities	(15)	(18)
Net cash inflows from investing activities	<u>15</u>	<u>18</u>
Net cash inflows	<u><u>–</u></u>	<u><u>–</u></u>

11. DIVIDENDS

No dividends have been paid or proposed during the reporting period, nor has any dividend been proposed since the end of reporting period (2022: Nil).

12. LOSS PER SHARE

From continuing and discontinued operations

(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\$3,579,000 (2022: HK\$82,848,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2022: 1,895,697,017) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share from continuing and discontinued operations were presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 March 2023 and 2022.

From continuing operation

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year from continuing operation attributable to owners of the Company of approximately HK\$2,648,000 (2022: HK\$81,446,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2022: 1,895,697,017) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share from continuing operation was presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 March 2023 and 2022.

From discontinued operation

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year from discontinued operation attributable to owners of the Company of approximately HK\$931,000 (2022: HK\$1,402,000) 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 from discontinued operation was presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 March 2023 and 2022.

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 2021	390,201	2,234	392,435
Derecognition	(398,030)	–	(398,030)
Exchange differences	7,829	92	7,921
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2022 and 1 April 2022 and 31 March 2023	<u> </u> –	<u> </u> 2,326	<u> </u> 2,326
Accumulated amortisation and impairment losses			
At 1 April 2021	302,461	2,234	304,695
Derecognition	(308,529)	–	(308,529)
Exchange differences	6,068	92	6,160
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2022 and 1 April 2022 and 31 March 2023	<u> </u> –	<u> </u> 2,326	<u> </u> 2,326
Carrying amount			
At 31 March 2023	<u> </u> –	<u> </u> –	<u> </u> –
At 31 March 2022	<u> </u> –	<u> </u> –	<u> </u> –

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 Shentong Cultural Club Company Limited (“Heilongjiang Shentong”), a subsidiary of the Company, was authorised by Beijing Shentong, 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 cooperation 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.

On 18 November 2021, the Company was informed by Beijing Shentong 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 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.

- (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 mobile application is fully amortised.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other receivables	502	317
Prepayments and deposits	<u>2,639</u>	<u>2,909</u>
	<u><u>3,141</u></u>	<u><u>3,226</u></u>

15. ACCRUALS AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <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	564
Amount due to CCC (<i>note c</i>)	6,665	5,978
Amounts due to related companies (<i>note d</i>)	2,907	602
Accrued salaries	6,369	6,385
Accrued expenses	908	1,393
Security deposits (<i>note e</i>)	5,143	5,550
Other payables	<u>1,869</u>	<u>1,879</u>
	<u><u>119,525</u></u>	<u><u>117,451</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 2023 (2022: repayable on 15 November 2022). On 1 June 2023, the repayment date was further extended to 15 August 2024.
- (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 of CCC for the Heilongjiang Shentong Card Payment system.

16. PROMISSORY NOTE

As at 31 March 2022, the promissory note was held by CCI with principal amount of approximately HK\$94,427,000. The promissory note was denominated in HK\$ unsecured, and its maturity date postponed from 30 June 2022 to 30 June 2023. As at 31 March 2022, the coupon rate was 2% per annum and the effective interest rate was 1.67%.

During the year ended 31 March 2023, the Group has fully repaid all the outstanding balances of the promissory note including accrued interest.

17. SHARE CAPITAL

	2023		2022	
	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, the loans from a substantial shareholder, amounts due to CCI, amounted due to CCC and related companies. Adjusted capital comprises all components of equity except for non-controlling interests, if any.

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.

18. EVENTS AFTER REPORTING PERIOD

- (i) On 1 June 2023, the repayment date of the amount due to CCI was further extended from 15 November 2023 to 15 August 2024.
- (ii) On 15 June 2023, the company entered into a non-legal binding memorandum of understanding (the “MOU”) with 2 potential vendors for a potential acquisition of certain equity interest in a PRC company as contemplated under the MOU. The MOU is non-legally binding and with a term of 12 months exclusive period. Details are set out in the Company’s announcement dated 15 June 2023.

19. COMPARATIVE FIGURES

The presentation of comparative information in respect of the consolidated statement of profit or loss for the year ended 31 March 2022 has been re-presented in order to disclose the discontinued operation separately from continuing operation.

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 2023, 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\$3,579,000 for the year ended 31 March 2023 and the Group had net current liabilities and net liabilities of approximately HK\$52,268,000 and HK\$52,843,000 respectively as at 31 March 2023. 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 from continuing operation of approximately HK\$15,602,000 (2022: approximately HK\$11,988,000 (Re-presented)) for the year ended 31 March 2023, representing an increase of approximately 30.1% as compared with the year ended 31 March 2022 which was primarily due to the recovery of demand after the epidemic and there were fewer suspension of classes in current year.

The Group's gross profit from continuing operation for the year ended 31 March 2023 amounted to approximately HK\$7,998,000 as compared to approximately HK\$4,592,000 (Re-presented) for the year ended 31 March 2022. The improvement was mainly attributable to the increase in revenue which was primarily due to the recovery of demand after the epidemic and there were fewer suspension of classes in current year.

Selling and distribution and administrative expenses from continuing operation for the year ended 31 March 2023 was approximately HK\$13,756,000 as compared to approximately HK\$16,342,000 (Re-presented) for the year ended 31 March 2022. Decrease in expenses was mainly attributable to effective cost controlling measures.

Loss for the Year

The Group made a loss for the year of approximately HK\$3,579,000 for the year ended 31 March 2023 as compared to approximately HK\$82,848,000 for the year ended 31 March 2022. The improvement was mainly due to the increase in revenue and there was a derecognition of intangible assets of approximately HK\$89,501,000 (the "Derecognition") for the year ended 31 March 2022. The Derecognition is non-cash and non-recurring in nature.

Segment Information

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

Liquidity and Financial Resources

As at 31 March 2023, the Group had fully repaid the promissory note at a principal amount of approximately HK\$94.4 million before repayment (as at 31 March 2022: approximately HK\$94.4 million) and interests with a carrying value of approximately HK\$114.0 million before repayment (as at 31 March 2022: approximately HK\$113.3 million). The promissory note was unsecured and interest bearing at 2% per annum. As at 31 March 2023, the Group had outstanding loans from CCI of approximately HK\$21.5 million (as at 31 March 2022: HK\$15.8 million) which were unsecured, interest-free and repayable on demand and amount due to CCI of approximately HK\$95.1 million (as at 31 March 2022: HK\$95.1 million) and HK\$0.6 million (as at 31 March 2022: HK\$0.6 million) which were unsecured, interest-free and repayable on 15 November 2023 (on 1 June 2023, the repayable date was further extended to 15 August 2024) and unsecured, interest-free and repayable on demand respectively. Other than the above, the Group did not have any other committed borrowing facilities as at 31 March 2023 (as at 31 March 2022: Nil).

As at 31 March 2023, the Group had net current liabilities of approximately HK\$52.3 million (as at 31 March 2022: net current assets of approximately HK\$78.2 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK\$125.4 million (as at 31 March 2022: approximately HK\$269.4 million) and prepayments, deposits and other receivables of approximately HK\$3.1 million (as at 31 March 2022: approximately HK\$3.2 million). The Group's current liabilities mainly include accruals and other payables of approximately HK\$119.5 million (as at 31 March 2022: approximately HK\$117.5 million), current tax liabilities of approximately HK\$27.0 million (as at 31 March 2022: approximately HK\$28.6 million), contract liabilities of approximately HK\$12.2 million (as at 31 March 2022: approximately HK\$28.6 million) and loans from a substantial shareholder of approximately HK\$21.5 million (as at 31 March 2022: HK\$15.8 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 2023, the gearing ratio was 0% (as at 31 March 2022: 597.6%).

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 2023 and 31 March 2022.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2023, the Group had 66 employees (2022: 84). The staff costs for the year ended 31 March 2023 was approximately HK\$10.3 million (2022: HK\$11.6 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 2023 and 31 March 2022, the Group had no significant investment. The Company is in a preliminary discussion exploring a possible acquisition of certain equity interest in an education platform and software company (the "Possible Acquisition").

As at the date hereof, no material terms concerning the Possible Acquisition have been agreed and no definitive agreement whatsoever has been entered into by the Group in relation to the Possible Acquisition. As the discussion of the Possible Acquisition is only at its preliminary stage, the Possible Acquisition may or may not proceed.

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 2023 and 31 March 2022.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any material capital commitments (2022: Nil).

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 2023.

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 2023. 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. 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 2023.

Having made specific enquiry of all Directors, the Board has confirmed that all Directors have complied with the principles and code provisions (the "Code Provisions") set out in the CG Code during the year ended 31 March 2023. The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

APPROPRIATIONS

The Directors do not recommend the payment of any dividends during the year.

AUDIT COMMITTEE

For the year ended 31 March 2023, 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 2022;
- Quarterly reports for the first quarter and third quarter of 2022/23;
- Interim report for the first six months of 2022/23; and
- Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2023 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 2023 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, 28 July 2023 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, 21 June 2023

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.