# 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)


# 2018/19
## ANNUAL REPORT

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# Corporate Information

**BOARD OF DIRECTORS**
Executive Directors
Mr. He Chenguang *(Chairman)*
Mr. Bao Yueqing *(Co-Chief Executive Officer)*

Independent Non-Executive Directors
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

**COMPANY SECRETARY**
Mr. Yiu King Ming, *CPA*

**COMPLIANCE OFFICER**
Mr. Bao Yueqing

**AUDIT COMMITTEE**
Mr. Yip Tai Him *(Chairman)*
Ms. Han Liqun
Ms. Zhang Li

**REMUNERATION COMMITTEE**
Mr. Yip Tai Him *(Chairman)*
Ms. Han Liqun
Ms. Zhang Li

**NOMINATION COMMITTEE**
Mr. He Chenguang *(Chairman)*
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

**AUTHORISED REPRESENTATIVES**
Mr. Bao Yueqing
Mr. Yiu King Ming, *CPA*

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**PRINCIPAL BANKERS**
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

**WEBSITE ADDRESS**
www.srobotedu.com

**GEM STOCK CODE**
8206

# Financial Highlights

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

## CONSOLIDATED RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **177,415** | 141,482 | 91,507 | 34,684 | 38,484 |
| Profit/(loss) before tax | **85,425** | 45,065 | 11,507 | (18,820) | (8,269) |
| Income tax expense | **(26,593)** | (17,463) | (7,661) | (1,550) | (1,602) |
| Profit/(loss) for the year attributable to owners | **58,832** | 27,602 | 3,846 | (20,370) | (9,871) |
| Basic earnings/(loss) per share (HK cent(s)) | **3.10** | 1.51 | 0.24 | (1.57) | (0.76) |

## CONSOLIDATED ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **704,849** | 667,302 | 538,808 | 40,741 | 61,254 |
| Total liabilities | **(405,148)** | (393,125) | (447,382) | (116,573) | (115,479) |
| Net assets/(liabilities) | **299,701** | 274,177 | 91,426 | (75,832) | (54,225) |
| Net assets/(liabilities) per share (HK cent(s)) | **15.81** | 14.46 | 5.52 | (5.86) | (4.19) |

# 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 2019 (the "Year").

## FINANCIAL PERFORMANCE

The Group's revenue was mainly attributable to the provision of robotics education and other business in the People's Republic of China (the "PRC"), including robotics competitions and promotion and management services of "Shentong Card". The Group recorded consolidated revenue of approximately HK$177,415,000 for the year ended 31 March 2019, representing an increase of approximately 25.4% as compared to approximately HK$141,482,000 for the year ended 31 March 2018.

For the year ended 31 March 2019, the Group recorded approximately HK$58,832,000 in profit attributable to owners of the Company, representing an increase of approximately 113.1% as compared to approximately HK$27,602,000 for the year ended 31 March 2018. The Group's gross profit increased by 36.8% year-on-year to approximately HK$126,944,000, and gross profit margin increased approximately 6.0 percentage points year-to-year to approximately 71.6%. The business growth was mainly attributable to the increase of approximately 41.1% in revenue from Robotics Education and Others from approximately HK$110,062,000 for the year ended 31 March 2018 to approximately HK$155,318,000 for the year ended 31 March 2019.

## BUSINESS REVIEW

The Ministry of Education incorporated robotics education into one of the eight major national school sports leagues, and approved the establishment of the National School Sports Robot League (the "NSSRL") (全國學校體育機器人聯盟) to deploy robotics-related work with the commencement of robot sports nationwide. On the other hand, robot sports in the PRC has been recognised as one of the 108 national social sports programmes by the General Administration of Sport of China ("GASC"). National Robot Sports Competition is the only robot sports event hosted by the GASC.

In the past year, the robotics education which combines technology, education and practice continued to develop rapidly. As one of the leading regions of the PRC in the development of robotics education, Heilongjiang Province records a steady development in robotics education. The Group provides robotics-related education and training, and hosts robot sports competition in Heilongjiang province (collectively, the "Robotics Education Business"). Through innovative education and promotion, the Group deepened the integration of education, sports and technology in the province, and strived to create a high-end robotics education platform, aiming at making greater contributions to the development of robotics education in the PRC.

### Steady development of the Robotics Education Business

In order to promote the development of the Robotics Education Business more effectively, the Group was committed to commencing various types of robotics education courses and developing a diversified learning framework during the year. The Group has organised a series of training, seminars and course experiences to enable students to master the latest robotics knowledge and encourage them to develop their creativity and skills. Through carnival and on-site interaction, we also cooperated with online media to enhance the promotion efficiency, so that more and more parents understand and pay attention to robotics curriculum for schools, setting off a wave of taking robotics education. In August 2018, the China Robot Sports Mudanjiang Talent Training Centre, the China International Youth Robot Mudanjiang Exchange Centre and the China Robot Sports Mudanjiang Science and Technology Museum were officially put into operation. The establishment integrates robot teaching, training, examination, certification and event training to provide students with comprehensive robotics education, sports and event training venues. It gradually shows the Group's goal and achievements from the establishment of a comprehensive base with international standards and strong strength.

On the other hand, the Robot Sports Certification Examination (機器人運動等級認證考試) jointly guided by the China Robot Sports Working Committee (中國機器人運動工作委員會), the Working Committee of the NSSRL, the Robot Sports Association of Heilongjiang Province and organised by the China Robot Sports Rank Examination Center was held in Harbin and Mudanjiang, Heilongjiang Province. The examination not only evaluate the robot knowledge and skills of the candidates, but also provides a recognised and open certification platform for them. After passing the evaluation, the candidates will receive the corresponding certificates of qualification and also have the opportunity to participate in the national robot sports competition.

# Chairman's Statement

### Increase education income through competitions

The robotics education advocated by the Group emphasises the use of both hands and brains. It is an important way to cultivate students' ability to innovate and practice. The Robotics Education Business combined with sports elements can enhance students' interest in learning and teamwork skills. Robot sports is a social sports project in which robots are used as the tools for competition. Since the popularisation of the sports in the PRC, it has attracted a large number of young people to participate actively. For the Year, the Group actively organised various robotics competitions to raise the reputation of the Robotics Education Business and positively contribute to the income of the business. In April 2018, the "First Robotics Competition for University Students in Heilongjiang Province" was successfully launched by the Group, providing a stage for nearly 500 university athletes to fully demonstrate the creativity of science and technology. In August 2018, the Group hosted the "China Communication Cup First National Robotic Football Competition" in Daqing, Heilongjiang Province. The competition was the national football match with robots as the tools for competition. The football match attracted 73 teams and nearly 300 athletes to participate, showing a new look of integration of people and technology innovation. In addition, the "2018 Postal Savings Bank Cup Heilongjiang Intelligent Robot Competition" jointly held by the Heilongjiang Provincial Science and Technology Association and the Department of Education of Heilongjiang Province, and co-organised by the Group was held in Harbin City in October 2018. The competition attracted numbers of outstanding students from 13 cities in Heilongjiang Province, creating a dynamic competition environment and greatly enhancing the Group's appeal and influence in the field of robotics.

### Booming artificial intelligence industry with unlimited potential of robotics education

The Ministry of Education has always supported the development of quality education in kindergartens, primary and secondary schools, and cultivated the innovation and practical ability of students to achieve comprehensive development of morality, intelligence, physical fitness and art. In March 2019, the Ministry of Education issued the "Key Points of Education Informationisation and Cyber-security in 2019", indicating that it would continue to promote the establishment of artificial intelligence related courses in the primary and secondary schools in this year, and gradually promote programming education. In addition, with the further maturity of artificial intelligence technology and the increasing investment from government and industry, application of artificial intelligence will continue to accelerate, helping the artificial intelligence industry to flourish. In November 2018, the Artificial Intelligence and Robotics Education Committee of China Education Development Strategy Association (中國教育發展戰略學會人工智能與機器人教育專業委員會) was established in Beijing, further promoting technological innovation and resource integration and sharing in the domestic industry and academia. Currently, artificial intelligence is widely mentioned and robotics education, with relative mature development in the PRC, is becoming more and more popular. Numerous primary and secondary schools have also carried out a variety of robotics courses. Robotics education, sports and competitions have continued to heat up in Heilongjiang Province, and the training market is booming day by day.

## PROSPECTS

Looking ahead, the Group plans to launch various robotics theme activities in Heilongjiang Province. In addition to various robotics education courses and teacher training, we will actively cooperate with members of the NSSRL in Heilongjiang Province to plan intelligent robotics classrooms, on-campus robotics education programmes, as well as international exchanges and field trips. The above activities fill the gaps in robotics education in Heilongjiang Province and 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.

# Chairman's Statement

Moreover, we will continue to cooperate with the Robot Sports Association of Heilongjiang Province, leverage its resources advantages and take all efforts to promote the vigorous development of the Robotics Education Business and related business in Heilongjiang Province as well as throughout the country. The "Third National China Robot Competition" will be held in Jiayuguan, Gansu Province in August 2019. It will play an important role in cultivating sports talents in an all-round way and promoting the comprehensive, healthy and sustainable development of robot sports in the PRC. In addition to regular events in previous competitions, including robotics polo, robotics obstacle race, robotics dance, humanoid robot soccer, and UAV missions, this year's competition will incorporate robotics programming elements, adding five new competition items, such as UAV bombing contest, electromechanical arm task challenge and robotics task challenge, which will greatly enhance the excitement and observability of the contest. We believe that the China Robot Competition will further enhance the influence of robot sports, encourage more robot enthusiasts to participate actively, and allow athletes, coaches, referees and other professionals to demonstrate their potential and develop their strengths during the competition.

In conclusion, the development of robotics education in the PRC is showing a booming trend. Benefiting from the sound market development and the strong support of Heilongjiang Province for the popularisation of robotics education, we will continue to strive to optimise business operations and develop robotics education related industries in the PRC, in order to effectively promote the innovation and healthy development of the Group's education business and bring the greatest return to the Group and its shareholders.

## 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.

**He Chenguang**
*Chairman*

Hong Kong, 14 June 2019

# Management Discussion and Analysis

## REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK$177,415,000 (2018: HK$141,482,000) for the year ended 31 March 2019, representing an increase of approximately 25.4% as compared with the year ended 31 March 2018 which was primarily due to the growth of the Robotics Education and Others.

The Group's gross profit for the year ended 31 March 2019 amounted to approximately HK$126,944,000 as compared to approximately HK$92,807,000 for the year ended 31 March 2018. The increase was mainly attributable to the growth of the Robotics Education and Others.

Selling and distribution and administrative expenses for the year ended 31 March 2019 was approximately HK$44,101,000 as compared to approximately HK$43,470,000 for the year ended 31 March 2018.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group made a profit attributable to owners of approximately HK$58,832,000 for the year ended 31 March 2019 as compared to approximately HK$27,602,000 for the year ended 31 March 2018. The improvement was mainly due to the improvement in revenue and gross profit.

## SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 10 to the consolidated financial statements.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had outstanding promissory note at principal amount of approximately HK$94.4 million (as at 31 March 2018: approximately HK$94.4 million) with carrying value of approximately HK$107.6 million (as at 31 March 2018: approximately HK$105.7 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 March 2019, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date to 30 June 2020. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2019 (as at 31 March 2018: Nil).

As at 31 March 2019, the Group had net current assets of approximately HK$66.5 million (as at 31 March 2018: approximately HK$17.8 million). The Group's current assets mainly consisted of cash and cash equivalents of approximately HK$221.4 million (as at 31 March 2018: approximately HK$146.6 million) and prepayments, deposits and other receivables of approximately HK$44.0 million (as at 31 March 2018: approximately HK$52.9 million). The Group's current liabilities mainly include accruals and other payables of approximately HK$110.6 million (as at 31 March 2018: approximately HK$109.9 million), current tax liabilities of approximately HK$37.1 million (as at 31 March 2018: approximately HK$32.9 million) and contract liabilities of approximately HK$51.3 million (as at 31 March 2018: classified as education course obligation of approximately HK$38.8 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 equity. As at 31 March 2019, the gearing ratio was 35.9% (as at 31 March 2018: 38.6%).

# Management Discussion and Analysis

## 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 2019 and 31 March 2018.

## EMPLOYEES, REMUNERATION POLICIES AND STAFF COSTS

As at 31 March 2019, the Group had 199 employees (2018: 96). The staff costs for the year ended 31 March 2019 was approximately HK$26.0 million (2018: HK$20.8 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 year ended 31 March 2019 and 31 March 2018, the Group had no significant investment. As at 31 March 2019, 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 2019 and 31 March 2018.

## CAPITAL COMMITMENTS

Details of capital commitment is set out in note 34 to the consolidated financial statements.

## 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 2019.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. He Chenguang**, aged 58, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

Mr. He is the chairman of Professional Energy Committee of The Chinese People's Association for Friendship with Foreign Countries, the vice president of China-Cuba Friendship Association (a friendship association with foreign countries and a national people's organisation of the PRC which was founded in 1962). Mr. He is a part-time professor in Harbin Engineering University and University of Science and Technology Beijing. In 2011, Mr. He has also been awarded "Peaceful Development Contribution Award" jointly issued by the Chinese People's Association for Friendship with Foreign Countries and China Friendship Foundation for Peace and Development.

**Mr. Bao Yueqing**, aged 49, joined the Group in April 2010 as an executive Director until 30 June 2011 and subsequently as a general manager of the Company in May 2012 and was appointed as an executive Director again and the chief executive officer of the Group from January 2014 to February 2019 and as a Co-Chief Executive Officer in March 2019. He is responsible for the daily operation of the Group and formulating and implementation of the Company's business strategies. Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yip Tai Him,** aged 48 joined the Group in October 2002. He is currently the chairman of each of the audit committee and remuneration committee and member of the nomination committee of the Company. He is responsible for reviewing the Company's annual report and accounts, half yearly reports and quarterly reports and to provide advices and comments thereon to the Board.

Mr. Yip has been a practising accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the institute of Chartered Accountants in England and Wales. He has over 25 years of experience in accounting, auditing and financial management.

Mr. Yip is currently an independent non-executive director of GCL-Poly Energy Holdings Limited and Redco Properties Group Limited (all are listed on the Stock Exchange). He was previously an independent non-executive director of Bisu Technology Group International Limited (a company listed on the Stock Exchange), for the period from 20 July 2015 to 12 April 2019, Sino Golf Holdings Limited (a company listed on the Stock Exchange), for the period from 14 September 2015 to 9 November 2018, Star Glory Holdings Company Limited (formerly known as New Wisdom Holding Company Limited) (a company listed on GEM), for the period from 8 November 2016 to 28 March 2018 and Vinco Financial Group Limited (a company listed on GEM), for the period from 20 May 2008 to 1 August 2016.

**Ms. Han Liqun**, aged 66, was appointed as an independent non-executive Director in January 2014. Ms. Han holds a Bachelor degree of Instrumentation and Automation from Taiyuan University of Technology, a Master degree from the Institute of Computing Technology of the Chinese Academy of Sciences and a Doctorate degree of Pattern Recognition and Intelligent Systems from Beijing Institute of Technology. Ms. Han was a visiting research fellow at City University London.

Ms. Han has long been participated in the research in aspects such as artificial neural network theory and applications, pattern recognition and intelligent information processing as well as intelligent control and detection. She completed various significant scientific and technological research projects with outstanding results on pattern recognition and intelligent detection and control issues in light industry, chemical, agricultural, transportation and aerospace industries. Ms. Han also published 150 theses and 20 books, a number of which were included by various international literature institutions. Furthermore, she chaired and participated in over 20 scientific research projects, obtained 4 national invention patents and received a second prize from the first Wu Wenjun Artificial Intelligence Science Technology Awards.

Ms. Han, Beijing Outstanding Teacher, has been engaged in education for more than 25 years and taught 15 courses. She has taught in Beijing Light Industry School under the Ministry of Light Industry of the PRC and Beijing Technology and Business University as the Dean, illustrating her outstanding teaching and research achievements. She chaired over 20 education reforms in the Ministry of Education of the PRC, Ministry of Light Industry, Beijing Municipal Commission of Education, etc. By virtue of her teaching results, she received a grand prize and a first prize from the Institutional Outstanding Teaching Achievement Awards and a second prize from the Beijing Teaching Achievement Awards.

Ms. Han is currently the Member and Executive Vice President of Chinese Association for Artificial Intelligence and the Chairman of the Working Committee of Intelligence Products and Industry, the Vice Chairman of the Working Committee and the Chairman of the Expert Committee of the China Robotics Sports, the fellow of the Academy of Engineering of the Developing World, the Executive Vice President of China Intelligence Robots Innovation Alliance (全國智能機器人創新聯盟), the Chairman of the International Robotics Competition and Maker Education Alliance (國際機器人競技與創客教育聯盟), the Vice President of the Simulation Application Society of China Computer Users Association, the Deputy Director of the Editorial Board of "Computer Simulation" and the Associate Editor-in-Chief of "CAAI Transactions on Intelligent Systems".

**Ms. Zhang Li**, aged 59, was appointed as an independent non-executive Director in March 2014. Ms. Zhang holds a Bachelor of Engineering in Solid Mechanics from the Department of Mathematics and Mechanics of Henan University of Science and Technology, China, a Master of Engineering in Mechanical Design from the Department of Mechanical Design of Henan University of Science and Technology, China, and a Doctor of Engineering in Composite Materials from the School of Material Engineering of Wuhan University of Technology, China. Ms. Zhang is a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students. She was also the dean of the School of Mechanical Automation, the dean of the School of Mechanical Engineering and the deputy director of the Office of Evaluation and Construction for Undergraduate Assessment of Beijing Technology and Business University. Since 2007, Ms. Zhang has been to Canada, Singapore, the United States, the United Kingdom, Australia and other countries for academic exchanges and visits.

Ms. Zhang's expertise is in the study of mechanical automation and composite materials. Ms. Zhang has outstanding achievements in education and scientific research. Ms. Zhang focuses on the study of mechanical design and mechanics of composite materials, and engages in the design, manufacture and application of advanced composite material components as well as computer-aided engineering. She has chaired or participated in over 30 projects, such as "Research of Thermal Dynamic Performance of Composite Engines" by National Natural Science Foundation of China, National Science and Technology Support Program, the science and technology development project of "Research of Dynamic Performance of Composite Flywheels" by Beijing Municipal Commission of Education, talent training funded projects in Beijing and enterprise service projects. Ms. Zhang has published over 100 academic papers, some of which were included by various international literature institutions. She published 16 books, translations and textbooks and 1 Beijing quality textbook.

Ms. Zhang, an Excellent Teacher, has engaged in education for over 35 years. She was awarded the title of National Excellent Teacher, Top Creative Talent in Beijing Universities and the award of Top Teacher in Beijing Universities. She has also been merited as the Backbone Teacher of Mechanical Engineering across the century. Ms. Zhang served as the leader of Beijing Academic Innovation Team and won the First Class Award for School Education and Teaching Achievement. She was responsible for the completion of the Country's "10th five-year" key planning issues for tertiary education "Research on the education reform of new international division for electrical and mechanical engineering" and the Beijing education reform project "Improvement, reform and discussion on the education system, methodology and contents of engineering mechanics". She was also funded by the Beijing inter-organisational talent project.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Jiang Yue**, aged 35, joined the Group in March 2019, is the Co-Chief Executive Officers of the Group. He is responsible for the formulating and implementation of the Company's business strategies. Mr. Jiang graduated from Tsinghua University, the PRC, in July 2006, with a bachelor's degree of finance and from The Leland Stanford Junior University, the United States of America, in January 2008, with a degree of master of science in financial mathematics.

Mr. Jiang is accredited by the CFA Institute as a chartered financial analyst. He is also a qualified practitioner in fund management of the Asset Management Association of China (中國證券投資基金業協會). He has passed the securities market basic knowledge examination and the securities investment fund examination of Securities Association of China (中國證券業協會).

Prior to joining the Group, from March 2008 to February 2010, Mr. Jiang worked at Lehman Brothers Asset Management/ Neuberger Berman (雷曼兄弟資產管理有限公司／路博邁資產管理), a company principally engaged in global investment management, as an associate, responsible for quantitative modeling and portfolio management. From March 2010 to July 2012, Mr. Jiang worked at China International Capital Corporation Limited (中國國際金融有限公司), a company principally engaged in investment banking, as a senior associate, responsible for portfolio management of the global fund of hedge funds. From August 2012 to September 2014, Mr. Jiang worked at China Minsheng Bank, Jinan Branch (中國民生銀行濟南分行), a company principally engaged in commercial banking, as a deputy general manager of private banking, responsible for private placement, product structuring and risk management. From October 2014 to May 2017, Mr. Jiang worked at Shandong Lingrui Asset Management Co.# (山東領鋭股權投資基金管理有限公司), a company principally engaged in energy-related merger and acquisition, as the managing director, responsible for general business development and management.

**Mr. Yiu King Ming**, aged 34, joined the Group in September 2015, is the financial controller and company secretary of the Group. He is responsible for financial planning and reporting and general administration of the Group. Mr. Yiu holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University. Mr. Yiu is a member of the HKICPA. Prior to joining to the Group, he worked in a multinational accounting firm and has over 9 years' experience in auditing.

**Ms. Chow Tsz Yan**, joined the Group in February 2016, is the Head of Corporate Communications of the Group. She is responsible for the operation and strategic direction of the Group's corporate communication. Ms. Chow holds a Bachelor of International Corporate Communication from the University of Central Lancashire.

# English name is for identification purpose only

# Corporate Governance Report

## 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 2019.

Under Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 3 August 2018 (the "2018 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 2018 AGM due to an unexpected engagement. Mr. Bao Yueqing (executive Director and Co-Chief Executive Officer of the Company) was appointed as the chairman of the 2018 AGM to answer and address questions raised by shareholders of the Company at the 2018 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.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2019, all Directors have participated in continuous professional development programmes such as attending external conferences, seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. The Company is of the view that all Directors has complied with the code provisions A.6.5. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company.

## 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 2019. 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.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors of which two are executive Directors and three are independent non-executive Directors. During the year ended 31 March 2019 and up to the date of this report, the Board comprises the following Directors:

Executive Directors:
Mr. He Chenguang, *Chairman of the Board*
Mr. Bao Yueqing, *Co-Chief Executive Officer*

Independent Non-Executive Directors:
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 9 to 11 of this report.

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2019 and the attendance of each Director are as follows:

| | Numbers of the meetings attended/held | | | | |
|---|---|---|---|---|---|
| | Board | Independent Board Committee | Audit Committee | Remuneration Committee | Nomination Committee |
| **Executive Directors** | | | | | |
| Mr. He Chenguang | 9/9 | N/A | N/A | N/A | 1/1 |
| Mr. Bao Yueqing | 9/9 | N/A | N/A | N/A | N/A |
| **Independent Non-Executive Directors** | | | | | |
| Mr. Yip Tai Him | 9/9 | 0/0 | 5/5 | 1/1 | 1/1 |
| Ms. Han Liqun | 9/9 | 0/0 | 5/5 | 1/1 | 1/1 |
| Ms. Zhang Li | 9/9 | 0/0 | 5/5 | 1/1 | 1/1 |

During the year, a total of one general meetings of the Company was held and the attendance record is as follow:

| | Number of the meeting attended/held |
|---|---|
| **Executive Directors** | |
| Mr. He Chenguang | 0/1 |
| Mr. Bao Yueqing | 1/1 |
| **Independent Non-Executive Directors** | |
| Mr. Yip Tai Him | 1/1 |
| Ms. Han Liqun | 0/1 |
| Ms. Zhang Li | 0/1 |

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Notice of at least 14 days is given for a regular Board meeting and reasonable notice is generally given to all Directors for other Board meetings. Apart from these regular meeting, Board meetings are also held to approve major issues and notice of each regular meeting is given to all Directors. All relevant materials, including draft minutes were sent to all Directors relating to the matters brought before the meeting to ensure that the Directors are given sufficient time to review the same. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters.

# Corporate Governance Report

According to the practice of the Board, any material transaction, which involves a conflict of interest for a substantial shareholder (as defined in the GEM Listing Rules) or a Director, will be considered and dealt with by the Board at a Board meeting. The articles of association (the "Articles") contain certain provision requiring such Directors to abstain from voting and not to be counted in the quorum at such meetings for approving transactions in which such Directors or any of their respective associates have a material interests.

Daily operations and administration are delegated to the senior management team. All the said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if the number is not three or multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. All Directors appointed to fill a causal vacancy or as an addition to the Board shall be subject to election by the Shareholders at the first general meeting after their appointment.

Directors' training is an ongoing process. During the year, Directors have regular updates on changes and developments of the Group's business and to the regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role and responsibilities of the Chairman is separate from that of the Chief Executive Officer. The position of the Chairman is held by Mr. He Chenguang. The positions of the Co-Chief Executive Officers are held by Mr. Bao Yueqing and Mr. Jiang Yue. The Chairman was responsible for leading the Board in forming the Group's strategies and policies and for organising the business of the Board. The Co-Chief Executive Officers were responsible for the daily operations of the Group and were accountable to the Board for the Group's financial and operational performance.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board currently comprises three independent non-executive Directors representing more than one-third of the Board. Each of the independent non-executive Directors is appointed for a specific term. All the three independent non-executive Directors have been appointed for a term of one year and they are subject to retirement by rotation in accordance with the Articles.

The Company has received the annual independence confirmation from each of Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li (all being independent non-executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria. Amongst three independent non-executive Directors, Mr. Yip Tai Him has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 5.05(2) of the GEM Listing Rules.

To assist the execution of its responsibilities, three Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All independent non-executive Directors play a significant role in these committees to ensure the independence and objectivity.

## REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, a Remuneration Committee has been established. The Remuneration Committee consists of three members, all of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him and meets at least once a year.

The roles and functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Director is involved in determining his/her own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors. The remuneration package for executive Directors comprises a basic salary and a discretionary bonus for their contributions in accordance with code provisions B.1.2(c)(ii). All revisions to remuneration packages of the Directors are subject to the review and approval of the Board.

## NOMINATION OF DIRECTORS

At the Board meeting held on 30 April 2012, a Nomination Committee has been established. The Nomination Committee consists of four members, of which the present Nomination Committee consists of a majority of independent non-executive Directors. The Nomination Committee is chaired by Mr. He Chenguang. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. It also has the responsibility to ensure the Board has an appropriate balance of independent Directors, with a mix of business experience in relevant disciplines. According to the board diversity policy adopted by the Nomination Committee, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new Directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

Mr. Bao Yueqing and Ms. Han Liqun will retire at the forthcoming annual general meeting and the re-election of Mr. Bao Yueqing as executive Director and Ms. Han Liqun as independent non-executive Director are to be proposed at the forthcoming annual general meeting.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company’s compliance with the code provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the code provisions (as amended from time to time) for which the Board are responsible.

## AUDITOR'S REMUNERATION

The Company has appointed RSM Hong Kong as the auditors of the Group (the "Auditor") since April 2011. The Audit Committee is responsible for considering the appointment of the external auditor, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. For the year ended 31 March 2019, the Auditor's remuneration in connection with the provision of audit and non-audit services paid by the Group were as follows:

| | For the year ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$** | HK$ |
| Statutory audit services | **680,000** | 650,000 |
| Non-audit services | **593,000** | 578,000 |
| | **1,273,000** | 1,228,000 |

## AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are independent non-executive Directors and is chaired by Mr. Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

— Discuss the work with the external auditors of the Company;
— Meet with external auditors of the Company, when they consider necessary;
— Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;
— Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
— Review the independence of the external auditors annually;
— Ensure that cooperation is provided by management to the external auditors; and
— Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

For the year ended 31 March 2019, 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 2018;
— Quarterly reports for the first quarter and third quarter of 2018/19;
— Interim report for the first six months of 2018/19; and
— Review of continuing connected transactions of the Group.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

The responsibilities of the external auditor with respect to their financial reporting are set out in the Independent Auditor's Report on pages 44 to 47 of this report.

## INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems in order to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not maintain an internal audit function. The Company engaged a professional company to perform a risk management and internal control review occasionally in order to strengthen the risk management and to perform ongoing internal control system of the Group. The Company is of the opinion that taking into account the size and complexity of the Group's operations and business and the nature of the risks and challenges the Group faces and there is no immediate need to build up an internal audit function within the Group. The Company will review the need on an annual basis.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## COMPANY SECRETARY

Mr. Yiu King Ming has been the company secretary of the Company since September 2015. Mr. Yiu has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2019. The Company is of the view that Mr. Yiu has complied with Rule 5.15 of the GEM Listing Rules.

## SHAREHOLDERS' RIGHTS

### Right to put forward proposals and to convene a general meeting

In accordance with the Company's Article 69, two or more shareholders holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right by written requisition to the Company, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within twenty-one (21) days from the date of deposit of such requisition proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of the deposit of such requisitions, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, for the attention of the Board.

## INVESTOR RELATIONS

The annual general meeting provides an opportunity for shareholders to exchange their views with the Board. Mr. Bao Yueqing (an executive Director and the Co-Chief Executive Officer of the Company) had attended the annual general meeting held on 3 August 2018 to answer questions from the shareholders. The Company's website (http://www.srobotedu.com) offers a communication channel between the Company and the Shareholders and potential investors.

## CONSTITUTIONAL DOCUMENTS

During the Year, there was no change in the Company's constitutional documents.

# Environmental, Social and Governance Report

## I. ABOUT THIS REPORT

The board of the Company pleased to announce the Environmental, Social and Governance Report (the "Report") of the Group. This Report summarises the environmental, social and governance policies, sustainable development strategies, management practices, measures and performance adopted by the Group.

This Report covers the sustainability strategies, policies and performances in the environment and social aspects of the Group's business in promotion, sales and management relating to the "Shentong cards", and provision of robotics training course business during the reporting period for the year ended 31 March 2019; and discloses pursuant to the "comply or explain" provisions of the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange. The relevant provisions and content are set out at the end of this Report.

The Board is responsible for the Group's Environmental, Social and Governance strategic formulation, evaluating and determining the Group's Environmental, Social and Governance-related risks, as well as ensuring that appropriate and effective Environmental, Social and Governance risk management measures and internal control systems are in place and reporting on performance in this regard. In order to determine the Environmental, Social and Governance reporting scopes, we have undergone discussion with each management personnel and identified the environmental, social and governance items concerned by major stakeholders and the Group, and assessed their importance to them, so as to choose those comparatively more important Environmental, Social and Governance items for disclosure in this Report.

## II. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business as well as providing supports to environmental protection and the communities in which it operates. The Group maintains close contacts with its stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers, community, etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its Environmental, Social and Governance risks, and ensures that the relevant risk management and internal control systems are operating effectively.

| Stakeholders | Expectation and concern | Management response |
|---|---|---|
| Government/regulatory authorities | ➢ Compliance in laws and regulations | ➢ Uphold integrity and compliance in operations |
| | ➢ Fulfill tax obligation | ➢ Pay tax on time, and in return contributing to the society |
| | | ➢ Establish comprehensive and effective internal control system |
| Shareholders/investors | ➢ Return on investment | ➢ Management possesses relevant experience and professional knowledge to ensure business sustainability |
| | ➢ Information transparency | ➢ Ensure transparency and effective communications through regular publication of information on the websites of the Stock Exchange and the Company |
| | ➢ Corporate governance policies | ➢ Strive to improve on internal control and risk management |

| Stakeholders | Expectation and concern | Management response |
|---|---|---|
| Employees | ➢ Labour rights | ➢ Set up contractual obligations to protect labour rights |
| | ➢ Career development | ➢ Encourage employees to participate in continuous education and professional trainings |
| | ➢ Compensation and welfare | ➢ Establish a fair, reasonable and competitive remuneration scheme |
| | ➢ Health and workplace safety | ➢ Focus on occupational health and safety |
| Customers | ➢ High quality services | ➢ Continuously provide high quality services for customer's satisfaction |
| | ➢ Reasonable price | ➢ Ensure proper discharge of contractual obligations |
| Suppliers | ➢ Stable demand | ➢ Ensure proper discharge of contractual obligations |
| | ➢ Good relationship with the Company | ➢ Establish policies and procedures in supply chain management |
| | ➢ Corporate reputation | ➢ Establish and maintain strong and long-term relationship |
| | | ➢ Select suppliers with due care |
| Community | ➢ Environmental protection | ➢ Attend to climate change issues |
| | ➢ Community participation | ➢ Encourage employees to actively participate in charitable activities and voluntary services |
| | ➢ Economic development | ➢ Maintain good financial performance and business growth |

## III. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix

| Importance to Stakeholders | Importance to the Group: Low | Importance to the Group: Medium | Importance to the Group: High |
|---|---|---|---|
| High | ◆ Anti-discrimination<br>◆ Protecting human rights | ◆ Talent management<br>◆ Staff training and promotion<br>◆ Staff compensation and welfare | ➢ Customers' satisfaction<br>➢ Service quality<br>➢ Anti-corruption |
| Medium | ➢ Community participation | ✧ Greenhouse gas emissions<br>✧ Use of energy<br>◆ Occupational health and workplace safety | ➢ Operational compliance<br>➢ Customers' privacy protection<br>➢ Suppliers management |
| Low | ◆ Preventive measures for child and forced labour<br>✧ Exhaust air emission<br>✧ Sewage discharge<br>✧ Discharge of nonhazardous wastes | ✧ Water resources utilisation | |

✧ Environmental ◆ Employee ➢ Operation

## IV. ENVIRONMENTAL PROTECTION

The Group's Shentong Card has the function of online gateway payment and intelligent management platform, creating an important platform in furtherance of paperless practices in the PRC and alleviating the increasingly serious environmental pollution and natural resource shortage. In addition, we have been adhering to the management philosophy of sustainable development and striving to continuously improve our environmental performance. To maintain a balance between operational efficiency and environmental protection, we have developed a comprehensive environmental policy that includes air and greenhouse gas emission reduction, energy efficiency, water conservation, hazardous and non-hazardous waste management. We develop indicators and manage natural resources through various measures and minimise the potential environmental impact of our operations.

### 1. Management of Emissions

The Group is aware that reducing energy consumption is closely related to air and greenhouse gas emission reduction. Therefore, in order to realize the goal of energy conservation and emission reduction, we reduce energy consumption, improve energy efficiency and reduce environmental impact of personal life and operation activities by undertaking various energy saving measures (refer to the section "Management of Resources Utilisation" below for details). Waste management mainly involves collection of waste paper for recycling (refer to the section "Management of Resources Utilisation" below for details). The Group is mainly engaged in promotion, sales and management services relating to Shentong cards, and provision of robotics education course. We did not generate any hazardous wastes and use any packaging materials. Our impact of water discharges on the environment is not significant.

2. Management of Resources Utilisation

The Group carefully manages resource utilisation and is committed to ensuring that all resources are used in an efficient and prudent manner; and is mindful of and identify and take measures to reduce the adverse impacts of its activities on the environment. We raise employees' awareness of the importance of resource conservation and require them to comply with our resource conservation measures to maximise resource utilisation and eliminate waste.

*Conversation of Energy*

The Group's electricity consumption is mainly used in offices, staff quarters and canteens. We set up a series of measures to save electricity and improve the electrical performance of electrical appliances and encourage employees to change their habits of using electrical appliances. For example, use energy-efficient electrical equipment. Lights must be turned off if there is enough daylight. Turn off unwanted office equipment such as computers, photocopiers, printers, air conditioners, etc. during non-office hours, such as evenings and weekends. Air conditioners must be turned off after work, and the use of them is limited according to seasonal and temperature changes. Doors and windows are not allowed to stay open when air conditioners are on in order to minimise energy consumption. During the reporting period, the Group's electricity consumption was 125.52 megawatt hours, representing an increase of approximately 45.69 megawatt hours or 57.23% from previous year. We increased our staff quarters which leads to increases in the overall electricity consumption and electricity consumption intensity.

Gasoline is mainly used in automobiles. We regularly repair and maintain vehicles to improve energy efficiency and reduce fuel consumption and emissions due to parts failure. During the reporting period, the Group consumed approximately 21.69 tonnes of gasoline, representing an increase of approximately 4.21 tonnes or 24.08% from previous year. As the company in Harbin converted a training centre to an office, and the original equipment was moved to two new stores, equipment handling increased the amount of gasoline used this year.

Natural gas is mainly used in canteens for cooking and heating. We regularly inspect natural gas pipelines and cooking and heating equipment to avoid unnecessary waste caused by leakage and equipment damage. Leaking natural gas also poses safety problems. During the reporting period, we have increased our staff quarters, increasing natural gas consumption by approximately 1.66 million cubic meters or 32.11% from previous year. The total amount of natural gas consumed by the Group was approximately 6.83 million cubic meters.

*Conservation of Water*

The Group's water consumption is mainly drinking water in barrels and toilet water. Drinking water in barrels is purchased; toilet water is provided and managed by property management company. During the reporting period, although we did not encounter any problems in obtaining applicable water sources, we still actively adopted various measures to educate employees to save water and to start from daily life. We focus on improving employees' awareness of water use and reducing waste, such as reminding them to cherish drinking water and not to use it for other purposes; controlling water flow when washing hands, tapping the faucet as much as possible, and shutting down after use. During the reporting period, we started to entertain customers in our own canteens to save the entertainment cost, and our new staff quarters also increased water consumption. However, due to the employees' active support for our water conservation measures, the Group's water consumption decreased by approximately 806.31 tonnes or 17.52% from previous year. Total water consumption was 3,796.83 tonnes.

*Conservation of Paper*

The Group advocates green office policy and encourages employees to save papers and avoid wastage through unified purchasing. We distribute information and documents in electronic format to minimise photocopying and printing; fully utilise paper by reusing single-sided papers and collecting double-sided printed papers to recycler for handling. Due to the employees' active support for our paper conservation measures, the Group's business consumed approximately 0.32 tonne of paper during the reporting period, representing a decrease of approximately 0.19 tonne or 37.25% from previous year. In addition, the company in Beijing reduced the preliminary promotion work during the year. We reduced the use of paper questionnaires to promote new games during the year. As a result, the overall paper consumption of the Group decreased.

3. The Environment and Natural Resources

The Group is committed to and focuses on preserving the natural environment, setting an example and influencing each individual to build a better environment and to improve its livability. The environmental impact of our business activities is mainly due to the natural resource consumption in office, resulting in air and greenhouse gas emissions. In order to arouse the awareness of its people and let them realise how they and operations bring adverse impacts to the environment, we continue to implement various policies, measures and actions to reduce the carbon footprint and to minimise the impact from individuals' personal life and business activities (Please refer to "Management of Emissions" and "Management of Resources Utilisation" above for details).

*Compliance*

During the reporting period, there were no confirmed non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

## V. EMPLOYMENT AND LABOUR PRACTICES

The Group devotes to provide a comfortable work place and to establish a comprehensive management system. We formulate our human resources strategies on the base of the Group's long-term development plan. We establish an equal and competitive mechanism internally, regulate the promotion process of employees, and provide regular training activities to lay the foundation for their future career development. Besides, we care about staff's work, life as well as physical and mental health. We organise regular cultural and training activities to enrich their leisure time, improve their technical skills and promote team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. Our human resources policies vary by locations to comply with the local labour laws and regulations. As such, policies are adjusted and tailored-made by locations.

Talent Selection

The Group is a fair opportunity employer and respects personal privacy, and it has established and implemented fair treatment policy. The appropriate candidates would be selected based on their morality, knowledge, abilities and job requirements, and regardless of their race, gender, age, region, religious affiliation. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination.

Labour Standards

The Group cherishes human rights and protects labour rights. Pursuant to relevant laws and regulations, we strictly prohibit child and forced labour and prevent any unlawful labour by conducting background checks in its hiring process. Employees' consent for working overtime is required to avoid forced overtime work, and the employees are compensated in accordance with the applicable laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labour.

### Compensation and Welfare

The Group regularly assesses salary levels of each level of employees. The Group collects up-to-date remuneration data within their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Employee compensation is determined in accordance with factors including knowledge, skills, experience and education of employees. Employee compensation varies from region to region. Basic employee compensation covers a fixed salary, working meal allowance and paid leaves, among others. The Group conducts periodic performance appraisal and fairly assess the bonuses, allowances, award money, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge and skills, performance, contribution, etc.). To comply with the local labour laws and regulations, the Group provides social security benefits for all employees and also protects their rights of rest days and holidays. The Group handles dismissal and compensation in accordance with the applicable laws and regulations.

The Group pays attention to its employees' health, encourages work-life balance by adopting a five-day work week and establishes working hours in accordance with local labour laws. We care about the physical and mental health of our employees and organize a number of leisure activities, including festive dinners, to enrich our employees' spare time and enhance team cohesion.

### Development and Training

A team of high-calibre, professional, well-trained and responsible staff plays an important role in improving the Group's core competitiveness and driving its sustainable business growth. With this understanding, we have formulated long-term employee development strategies to provide training geared to improving employees' job skills and management capabilities, in addition to encouraging them to pursue continuous improvement and lifelong learning. Employee training includes induction training and on-the-job training (including general employee training and executive training). New recruits will receive induction training with content including corporate culture, management systems, job requirements and performance evaluation. We provide suitable and relevant training for staff and teaching staff in special and key positions to ensure that they have the necessary knowledge, competence and qualifications. On-the-job training covers updates on regulatory compliance, business and industry knowledge, product knowledge, specialised techniques and management skills, which may be held in the form of a seminar. Continuous training not only helps improving employee knowledge and competence but also ensures that the relevant employees are sufficiently equipped with the technical knowledge and professional skills needed to provide customers with high-quality services. During the reporting period, we also organised various training programmes. The training topics include staff code of conduct, competition rules, telecommunications service specification, telecommunication regulations, 5G era, personnel management system, value-added tax, personal income tax, business model of game platform, etc.

### Health and Safety

The Group always puts health of its employees and safe working environment as priority, therefore we take a comprehensive approach for prevention and treatment of employee diseases and injuries. We participate in multiple fire drills organised by the property management company every year and are clear about the procedures to be taken in the event of a fire to ensure effective evacuation. The robot competition training centre is also designed to not only provide a safe training ground for trainees but also ensure the health and safety of our trainers.

### Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labour standards that have significant impact on the Group.

## VI. OPERATING PRACTICES

### Supply Chain Management

The Group conveys to its suppliers and business partners the measures and expectations we have taken for environmental protection, hoping to cooperate in fulfilling its social responsibilities to the community. We hope to establish long-term and stable strategic partnership with strong suppliers; and develop business together with suppliers on an equal and win-win basis. With a reputable credit history, favorable goodwill, high service quality, excellent compliance records, and commitment to building long-term strategic partnership with reputable entities, we are strongly positioned to build an efficient green supply chain with suppliers and service providers. We review their performance on a irregular basis to better control and ensure the quality of our products and services.

### Product/Service Responsibility

The Group's Robotics Education business organises CRC events and provides related training courses in Heilongjiang province. We have strict requirements on teachers' qualifications and conduct, and the training centre's environment to ensure that students will receive high-quality and efficient training in a safe training venue. As technology develops rapidly, we require our teachers to update their knowledge and professional skills to maintain their services at a high level.

The "Shentong Card" is a service developed by 神州通信集團有限公司 (China Communication Group Co., Ltd#) ("CCC") for promotion, sales and management by the Group. The R&D work is done by a professional R&D team to ensure the high quality of "Shentong Card". In addition, the R&D team receives continuous training to make the service up to date technologically and meet customers' more sophisticated needs. Furthermore, we have an after-sales service system to handle customer requests and provide them with technical support for "Shentong Card".

Confidentiality is one of the Group's core values. As the "Shentong Card" system stores a lot of customer personal data, we have established a strict confidentiality system, under which no employee shall disclose any personal data of customers to any third party without customers' consent and any violation will be punished by the Company.

During the reporting period, the Group did not have significant issues relating to violations nor received any complaints concerning breaches of customer privacy and loss of data.

### Anti-corruption

The Group firmly believes fairness, honesty and integrity are the important core values of its long-term development. In order to comply with the requirements of laws and regulations and to protect the interests of stakeholders, we strengthen the Group's internal control system, build honesty and trust, set up operation mission with abidance by law, integrity and quality services as its cores. Incorporating with the practical circumstances of the Group, we strengthen the system, bring the discipline inspection and supervision work in the operation process and ensure there are channels for reporting directly or in writing to the management on confidential basis regarding suspected cases of obtaining personal interests in carrying out one's job duties, briberies, extortion, frauds, money laundering in breach of policies, regulations and laws. We shall keep on improving our whistle-blowing system and are determinant in combating corruption and contributing to build a clean society. During the reporting period, there was no legal action against the Group or our employees for corruption.

# English name is for identification purpose only

## VII. COMMUNITY INVESTMENT

The Group organises robotics competition events and provide related training courses in Heilongjiang province. With respect to the participants, our activities not only increase their technological knowledge but also build their skills in communication and collaboration as well as cohesion. China's health sector has made remarkable achievements in reform and development, and the people's health standards have been continuously improved. At the same time, China is also facing new challenges brought about by industrialisation, urbanisation, aging population, ecological environment, and changing lifestyles. It is necessary to solve major and long-term problems of people's health. China adopted "Healthy China 2030" planning outline to promote the goal of building a healthy China in the next 15 years. It adheres to the people-centered development thinking, implements the development concept of innovation, coordination, green, openness, and sharing, adopts the principle of health priority, reform and innovation, scientific development, fairness and justice, takes improvement of people's health level as the core, drives by system reform and innovation starts with the factors affecting health, and focus on popularising healthy living, optimising health services, improving health care, building a healthy environment, and developing a healthy industry. It integrates health into all policies, promotes healthy lifestyles, creates a green, safe and healthy environment to reduce disease occurrence. Our operational objectives are in line with national strategies to promote robotic sports events so that people can exercise more and improve their physical fitness and health. With respect to society, our activities waken and improve people's capabilities in creation, technological innovation and educational innovation and help developing a large amount of excellent high-quality professionals for the country. The sports industry of which we are a driver plays an important role in meeting people's diversified needs of sports, safeguarding and improving livelihood, expanding domestic demand, increasing employment, and strengthening the country's national solidarity and cultural competitiveness.

Trees absorb carbon and release oxygen, regulate climate, purify air, conserve water and soil, reduce heat island effect and reduce noise. Trees also establish a good ecological environment, promote human health, reduce temperature and absorb carbon dioxide and alleviate the greenhouse effect. In this regard, the "Shentong Card" that we promote, which not only supports various connected devices (via the Internet, telecommunications networks, television networks and financial networks) but also is the only smart comprehensive educational billing card in China used for payment and smart management in connection with robotics competition events and education courses, plays a positive role by advancing paperless practices, thus reducing paper use and energy consumption, and ultimately reducing deforestation and alleviating the greenhouse effect and the global warming.

The Group is a responsible taxpayer and offers job opportunities to local people. We assist our employees to prepare for their retirement. We have maintained good operation environment, actively promoting environmental protection and achieving good development order, and to some certain extent, we have contributed to social stability and building a harmonious community.

## VIII. VISION OUTLOOK

As a good corporate citizen, the Group hopes to balance between achieving the corporate economic goals and business objectives, and to fulfill their social responsibility. The Group will continue to pay attention to environmental protection, employee care, service quality and community contribution so as to create niche for sustainable development.

The Group will endeavor to comply with the stringent environmental protection laws and regulations, and actively promote and participate in various environmental protection activities. When it comes to employee care, we will put employee satisfaction and work safety as our top priority. Through ensuring occupational safety and a competitive system, we aim to attract more talents in the technical and management arenas. For customer service, we will continue to put resources to enhance service quality and provide higher level of customer service. Meanwhile, we are committed to fulfilling its social responsibility by participating in charitable activities and promoting the community's sustainable development.

The Group aims at becoming a respectable enterprise and hopes to improve business performance and create more meaningful value for our stakeholders through implementing sustainability strategies.

## IX. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

| | Unit | 2018/19 | (Restated)[4] 2017/18 |
|---|---|---|---|
| **Greenhouse gas emissions:** | | | |
| Scope 1[1]: | | | |
| Total | Tonnes | 49.62 | 39.99 |
| Intensity[3] | Tonnes | 0.58 | 0.42 |
| Scope 2[2]: | | | |
| Total | Tonnes | 140.50 | 87.82 |
| Intensity[3] | Tonnes | 1.65 | 0.93 |
| **Air emissions:** | | | |
| Nitrogen oxides | Tonnes | 4.21 | 3.72 |
| Sulfur oxide | Tonnes | 0.33 | 0.30 |
| Particles | Tonnes | 0.45 | 0.39 |
| **Energy and water consumption:** | | | |
| Electricity: | | | |
| Total | Megawatt hours | 125.52 | 79.83 |
| Intensity[3] | Megawatt hours | 1.47 | 0.84 |
| Natural gas: | | | |
| Total | Cubic meters (in million) | 6.83 | 5.17 |
| Intensity[3] | Cubic meters (in million) | 0.08 | 0.05 |
| Gasoline: | | | |
| Total | Tonnes | 21.69 | 17.48 |
| Intensity[3] | Tonnes | 0.25 | 0.18 |
| Water: | | | |
| Total | Tonnes | 3,796.83 | 4,603.14 |
| Intensity[3] | Tonnes | 44.50 | 48.66 |

Notes:

1 Scope 1 refers to the Group's business direct greenhouse gas emissions, including combustion of natural gas and gasoline.

2 Scope 2 refers to the Group's business indirect greenhouse gas emissions, including consumption of purchased electricity.

3 Intensity is based on each employee.

4 Last year's comparative figures are restated to conform with the current year's presentation.

## X. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

| General Disclosure/ Key Performance Indicators ("KPIs") | Reporting Guideline | Page |
|---|---|---|
| **A. Environmental** | | |
| **Aspect A1** | **Emissions** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 21 |
| KPI A1.1 | The types of emissions and respective emissions data. | 27 |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 27 |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | N/A[1] |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 27 |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | 21 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 21 |
| **Aspect A2** | **Resources Utilisation** | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 22–23 |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity1 (e.g. per unit of production volume, per facility) | 27 |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 27 |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | 22–23 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 22 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | N/A[1] |
| **Aspect A3** | **The Environment and Natural Resources** | |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 23 |

| General Disclosure/ Key Performance Indicators ("KPIs") | Reporting Guideline | Page |
|---|---|---|
| **B.** | **Social[2]** | |
| **Aspect B1** | **Employment** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 23–24 |
| **Aspect B2** | **Health and Safety** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | 24 |
| **Aspect B3** | **Development and Training** | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 24 |
| **Aspect B4** | **Labour Standards** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | 23 |
| **Aspect B5** | **Supply Chain Management** | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 25 |
| **Aspect B6** | **Product Responsibility** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 25 |
| **Aspect B7** | **Anti-corruption** | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | 25 |

| General Disclosure/ Key Performance Indicators ("KPIs") | Reporting Guideline | Page |
|---|---|---|
| **Aspect B8** | **Community Investment** | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 26 |

Notes:

1 The Group's main business is promotion, sales and management services relating to "Shentong cards", and provision of robotics training course. We did not generate any hazardous wastes and use any packaging materials.

2 Pursuant to Appendix 20 of the "GEM Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group choose not to disclose those KPIs in this report.

# Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and the Company for the year ended 31 March 2019.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 21 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance including an analysis on financial key performance indication of likely future development in the Group business, employment policy and subsequent events can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 8 of the annual report. Those discussion forms part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements.

As a responsible corporation, the Company is committed to protecting the environment in the areas where we operate. To ensure our business development and sustainability, the Company endeavors to comply with the laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the Group's environmental policies & performance are set out in the section headed "Environmental, Social and Governance Report" on pages 19 to 30 of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in Cayman Islands with its shares listed on GEM of the Stock Exchange of Hong Kong Limited. The Group's subsidiaries are incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's establishments and operations accordingly shall comply with relevant laws and regulations in Cayman Islands, the British Virgin Islands, the PRC and Hong Kong. During the year under review, the Group complied with all the relevant laws and regulations in Cayman Islands, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

## SEGMENT INFORMATION

An analysis of the Group's revenue and contributions to results by principal activities for the year is set out in note 10 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss on page 48 of this report.

The state of affairs of the Group and the Company at 31 March 2019 are set out in the consolidated statement of financial position and statement of financial position on page 50 of this report and note 29(a) to the consolidated financial statements respectively.

# Directors' Report

## DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2019 (2018: Nil).

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 51 and note 29(b) to the consolidated financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2019 are set out in note 28 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to approximately HK$147,328,000. The share premium account of the Company of approximately HK$1,354,838,000 as at 31 March 2019 is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

## DONATIONS

No donations were made to charities by the Group during the year ended 31 March 2019 (2018: Nil).

## RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

## FINANCIAL INFORMATION SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 3.

## 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 2019.

## SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 7 August 2013. Summary of the 2013 Share Option Scheme is as follows:

(a) Purpose and Participants of the 2013 Share Option Scheme

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including Directors) of any entity (the "Invested Entity") in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for share options under the 2013 Share Option Scheme (the "Eligible Participants") as incentives or rewards for their contribution to the Company and/or its Subsidiaries.

(b) Maximum number of shares available for issue

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2013 Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the 2013 Share Option Scheme can be issued under the 2013 Share Option Scheme was 129,469,701 which is equivalent to 10% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 7 August 2013.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

(iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of this report, options to subscribe for a total of 7,800,000 option shares were still outstanding under the 2013 Share Option Scheme which represents approximately 0.4% of the issued ordinary shares of the Company.

(c) Maximum entitlement of each Eligible Participant

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant or Grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing Grantee) which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing Grantee) and his, her or its associates abstaining from voting.

The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant or Grantee, the number and terms of options to be granted (and options previously granted) to such Eligible Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the 2013 Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(e) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates (as defined in the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option).

Where any grant of options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) would result in the shares issued or to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of shares of the Company in issue; and

(ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by Shareholders of the Company.

The Company must send a circular to the Shareholders disclosing (i) details of the number and terms of the options to be granted; (ii) a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of the options) on whether or not to vote in favour of the proposed grant; (iii) the information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees; and (iv) the information required under the GEM Listing Rules. Any change in the terms of options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

(f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2013 Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the 2013 Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2013 Share Option Scheme by Shareholders by resolution at the general meeting.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 31 March 2019 were as follows:

| | | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name or category of participant | Date of grant | Exercisable period | Exercise price per share HK$ | Closing price per share immediately before date of grant HK$ | As at 31 March 2018 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | As at 31 March 2019 |
| **Directors** | | | | | | | | | | |
| He Chenguang | 26 August 2016 | 26 August 2016 to 25 August 2019 (both days inclusive) | 0.53 | 0.53 | 2,000,000 | – | – | – | – | 2,000,000 |
| Bao Yueqing | 26 August 2016 | 26 August 2016 to 25 August 2019 (both days inclusive) | 0.53 | 0.53 | 5,000,000 | – | – | – | – | 5,000,000 |
| **Sub-total** | | | | | 7,000,000 | – | – | – | – | 7,000,000 |
| **Other Eligible Participants** | | | | | | | | | | |
| In aggregate | 26 August 2016 | 26 August 2016 to 25 August 2019 (both days inclusive) | 0.53 | 0.53 | 10,800,000 | – | – | (10,000,000) | – | 800,000 |
| **Total** | | | | | 17,800,000 | – | – | (10,000,000) | – | 7,800,000 |

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

Details of the valuation of the share options are set out in note 31 to the consolidated financial statements.

# Directors' Report

## DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

**Executive Directors**
Mr. He Chenguang
Mr. Bao Yueqing

**Independent Non-Executive Directors**
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

In accordance with Article 108 of the Articles of the Company, one-third (or, if their number is not three or a multiple of three, than the number nearest to, but not less than, one-third) of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company but shall then be eligible for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. In accordance with Article 96 of the Articles, any Director appointed either to fill a causal vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Bao Yueqing and Ms. Han Liqun shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written confirmations from each of the independent non-executive Directors for their annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company has assessed their independence and concluded that all independent non-executive Directors are considered to be independent within the definition of the GEM Listing Rules.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the directors' term of office. Mr. Yip Tai Him ceased to be the independent non-executive director of Sino Golf Holdings Limited (stock code: 361) with effect from 9 November 2018 and Bisu Technology Group International Limited (stock code: 1372) with effect from 12 April 2019.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The employment of each executive Directors under their respective service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals of the Group for the year ended 31 March 2019 are set out in notes 14 and 15 to the consolidated financial statements respectively.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual independence confirmation from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors to be independent.

## DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions of the Group" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2019 or any time during the year ended 31 March 2019.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 9 to 11.

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

As at 31 March 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

| | Number of shares held | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Personal interests** | **Corporate interests** | **Total** | **Approximate percentage of issued share capital** | **Share options held** |
| He Chenguang | – | – | – | – | 2,000,000 |
| Bao Yueqing | 2,844,000 | – | 2,844,000 | 0.15% | 5,000,000 |

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 March 2019.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

| | Number of shares held | | | | |
|---|---|---|---|---|---|
| **Name of shareholder** | **Personal interests** | **Corporate interests** | **Other interests** | **Total** | **Approximate percentage of issued share capital** |
| 神州通信集團有限公司 (China Communication Group Co., Ltd#) ("CCC") (Note 1) | – | 472,042,000 | – | 472,042,000 | 24.90% |
| China Communication Investment Limited ("CCI") | 472,042,000 | – | – | 472,042,000 | 24.90% |
| Yang Shao Hui | 207,028,256 | – | – | 207,028,256 | 10.92% |
| Cao Bingsheng | 120,000,000 | – | – | 120,000,000 | 6.33% |
| Liang Haiqi | 120,000,000 | – | – | 120,000,000 | 6.33% |
| Li Chungang (Note 2) | – | 109,900,000 | – | 109,900,000 | 5.80% |
| Friendly Capital Limited | 109,900,000 | – | – | 109,900,000 | 5.80% |

Notes:

(1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.

(2) Friendly Capital Limited is wholly-owned by Li Chungang and is therefore deemed to be interested in 109,900,000 shares held by Friendly Capital Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2019, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

## MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the reporting year.

# English name is for identification purpose only

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

| | 2019 |
|---|---|
| **Purchases** | |
| — the largest supplier | **59%** |
| — five largest suppliers | **71%** |
| **Sales** | |
| — the largest customer | **12%** |
| — five largest customers | **12%** |

Save as disclosed in note 36 to the consolidated financial statements, none of the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group seeks to work with its suppliers in pursuit of continuous improvement in social and environmental performance. The Group is also committed to ensuring that environmental considerations are an integral part of its operation through cooperation with its suppliers to provide high-quality services to its customers. The Group conducts assessment process from time to time to evaluate the performance of its suppliers.

## CONTINUING CONNECTED TRANSACTIONS

### Relationship between the Group and each of the relevant connected persons

CCC is a company established under the laws of the PRC. By virtue of its interests as to approximately 24.90% of the issued share capital of the Company held by CCI, its wholly-owned subsidiary, which is holding 472,042,000 shares of the Company, CCC is considered to be a connected person to the Company.

神州通信黑龍江有限公司 (China Communication Heilongjiang Co., Ltd.#) ("China Communication Heilongjiang") and 哈爾濱神州通信技能培訓有限公司 (Harbin China Communication Skill Training Co., Ltd.#) ("Harbin China Communication Skill Training"), each a company established in the PRC with limited liability, are wholly-owned subsidiaries of CCC and therefore connected persons of the Company. 神州通信黑龍江有限公司賓縣分公司 (China Communication Heilongjiang Co., Ltd. Bin County Branch Company#) ("China Communication Heilongjiang Bin County Branch") and 神州通信黑龍江有限公司牡丹江公司 (China Communication Heilongjiang Co., Ltd. Mudanjiang Company#) ("China Communication Heilongjiang Mudanjiang"), each a branch company of China Communication Heilongjiang.

# English name is for identification purpose only

### Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2019 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 9 February 2018, CCC and 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited#) ("Yijia") entered into the Yijia Customers Service Hotline Rental Contract, pursuant to which CCC shall provide a designated national customer service hotline number 95130*** to Yijia, in consideration of which CCC would charge Yijia (i) an annual fee of RMB20,000 which is on pro-rata and 12 month-year basis; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system. The calling charge rate was subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time;

2. On 9 February 2018, CCC and Yijia entered into the Yijia Server Hosting Agreement, pursuant to which (i) Yijia would place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to Yijia and (ii) CCC would provide designated 300M-bandwidth share of the broadband leased line to Yijia for the operation of its website and CCC will also provide 90 IP addresses and not more than 7 racks of servers for the use of Yijia and CCC will also supply 2200W (10A) electricity for each rack of servers rented to Yijia, in consideration of which CCC would charge Yijia a fee of RMB80,000 per month for each server used by Yijia for the provision of server hosting service and dedicated leased-lines;

3. On 9 February 2018, CCC and Yijia entered into the Shentong Card Management and Sales Contract, pursuant to which Yijia would provide to CCC services regarding (i) the management and sale of the Designated Shentong Cards; (ii) assisting CCC in the after-sale-services for the Designated Shentong Card; and (iii) following-up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card, in consideration of which Yijia would charge CCC (i) issuance handling fees of RMB5 for each Designated Shentong Card issued by Yijia; (ii) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Yijia; (iii) sale commission of RMB3 for the insurance products preloaded in the Designated Shentong Card issued by Yijia; and (iv) sale commission of 20% of the total value of purchases made by the users through the designated "Shentong Card" issued by Yijia for the property and life insurance products and 10% for the purchases of health insurance products;

4. On 9 February 2018, CCC and Yijia entered into the Yijia Web Advertising Contract, pursuant to which Yijia agreed to place and CCC agreed to arrange for the web advertisements of Yijia to be published on the website of CCC "Shentong Net", and 24-hour technical support services should also be provided by CCC to Yijia to handle all technical issues arising out of the publication of the advertisements. Details of the advertising arrangement and the payment methods should be determined based on mutual agreement of Yijia and CCC to be reached at least three days prior to the publication of the relevant advertisements;

5. On 9 February 2018, CCC and 黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Company Limited#) ("Heilongjiang Shentong") entered into the Heilongjiang Shentong Customer Service Hotline rental contract, pursuant to which CCC shall provide a designated national customer service hotline number 95130*** to Heilongjiang Shentong, in consideration of which CCC will charge Heilongjiang Shentong (i) an annual fee of RMB20,000 which is on a pro-rata on a 12-month year basis; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time;

# English name is for identification purpose only

6. On 9 February 2018, CCC and Heilongjiang Shentong entered into the Heilongjiang Shentong Server Hosting Agreement, pursuant to which (i) CCC will provide server equipment to Heilongjiang Shentong, and Heilongjiang Shentong will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to Heilongjiang Shentong and (ii) CCC will provide designated 300M bandwidth share of the broadband leased lines to Heilongjiang Shentong for the operation of its website. CCC will also provide 90 IP addresses and not more than 11 racks of servers for the use of Heilongjiang Shentong, in consideration of which CCC will charge Heilongjiang Shentong a fee of RMB80,000 per month for each server used by Heilongjiang Shentong for the provision of server hosting service and dedicated leased-lines;

7. On 9 February 2018, China Communication Heilongjiang and Heilongjiang Shentong entered into the Heilongjiang Shentong Web Advertising Contract, pursuant to which Heilongjiang Shentong agreed to place and China Communication Heilongjiang agreed to arrange for the web advertisements of Heilongjiang Shentong be published on the internet. 24-hour technical support services shall also be provided by China Communication Heilongjiang to Heilongjiang Shentong to handle all technical issues arising out the publication of the advertisements. In consideration of which China Communication Heilongjiang will charge Heilongjiang Shentong a fee of RMB10,000–18,800 per 3 or 4 hours with a discount of 35%.

8. On 9 February 2018, China Communication Heilongjiang Mudanjiang and Heilongjiang Shentong entered into the Heilongjiang Operation and Management Contract, pursuant to which China Communication Heilongjiang Mudanjiang shall provide operation and management services to Heilongjiang Shentong in a training centre in Mudanjiang City in the Heilongjiang Province, the PRC. In consideration of which Heilongjiang Shentong shall pay a fee to China Communication Heilongjiang Mudanjiang which is calculated as 15% of its overall income which payment is made through and processed by the CRC Shentong Card integrated payment management system;

9. On 9 February 2018, CCC and Heilongjiang Shentong entered into the Heilongjiang Shentong CRC Shentong Card Payment System Contract, pursuant to which CCC shall provide Heilongjiang Shentong the right to use the CRC Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services, in consideration of which Heilongjiang Shentong shall be responsible for the payment of a fee which is 6% of its overall income (including income from education and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system;

10. On 9 February 2018, Harbin China Communication Skill Training and Heilongjiang Shentong entered into the Harbin China Communication Skill Training Venue Rental Agreement, pursuant to which provision of venue, cleaning services and electricity from Harbin China Communication Skill Training to Heilongjiang Shentong for holding conference, training and other activities, in consideration of which Harbin China Communication Skill Training charges Heilongjiang Shentong (i) accommodation charge at daily rate ranging from RMB318 to RMB1,888 with a discount of 20% to 50% according to different type of room and level of management authority respectively; (ii) conference room leasing fee ranging from RMB1,800 to RMB5,000 for every four hours with a discount of 20% to 50% according to different level of management authority; (iii) food and beverage and supportive services will be charged on actual usage based on a pre-determined services fee; and

11. On 9 February 2018, China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong entered into the China Communication Heilongjiang Bin County Branch Venue Rental Contract, pursuant to which provision of venue from China Communication Heilongjiang Bin County Branch to Heilongjiang Shentong for holding of competition and training, including the electricity supplies to and cleaning of the venue, in consideration of which China Communication Heilongjiang Bin County Branch charges Heilongjiang Shentong rental at a rate of RMB25,000 per hour.

The aforesaid agreements have been reviewed by independent non-executive Directors of the Company who have confirmed that for the year ended 31 March 2019, the above agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed to us that, in respect of the above-mentioned continuing connected transactions: (a) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Company's Board of Directors; (b) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing has come to the attention of the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and (d) with respect to the aggregate amount of each of the transactions, nothing has come to the auditor's attention that causes the auditor to believe that the transactions have exceeded the annual cap disclosed in the circular of the Company dated 13 March 2018 and the announcement of the Company dated 9 February 2018.

The Company confirms that it has complied with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules during the reporting year.

## RELATED PARTY TRANSACTIONS

During the year ended 31 March 2019, save as the continuing connected transactions mentioned on page 39 to 42 and related party transactions disclosed in note 36 to the consolidated financial statements, the Group had not entered into other significant transactions with related parties. No transactions have been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 15 to the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 7 to 8.

## CORPORATE GOVERNANCE REPORT

A corporate governance report is shown on pages 12 to 18.

## AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has reviewed the accounting principles and practice adopted by the Group and the Company's audited results for the year ended 31 March 2019 and discussed with the management regarding auditing, internal control and financial reporting matters.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float, representing more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

## COMPETING INTERESTS

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

# Directors' Report

## OTHER MATTERS

(a) The company secretary and the qualified accountant of the Company is Mr. Yiu King Ming, CPA.

(b) The compliance officer of the Company is Mr. Bao Yueqing appointed pursuant to Rule 5.19 of the GEM Listing Rules.

## AUDITORS

At the Company's last annual general meeting, RSM Hong Kong was re-appointed as auditor of the Company. On 22 November 2018, the auditor of the Company changed its Chinese practising name to "羅申美會計師事務所".

RSM Hong Kong will retire and being eligible, offer itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

There has been no change in auditors of the Company in the three years ended 31 March 2019.

By Order of the Board
**He Chenguang**
*Chairman*

Hong Kong, 14 June 2019

# Independent Auditor's Report

**TO THE SHAREHOLDERS OF**
**SHENTONG ROBOT EDUCATION GROUP COMPANY LIMITED**
(Incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Shentong Robot Education Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 104, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, 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.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is impairment assessment on goodwill and intangible assets attributable to the "Robotics Education and Others Cash Generating Unit".

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment on goodwill and intangible assets attributable to the "Robotics Education and Others Cash Generating Unit"**<br><br>Refer to Notes 5(a), 19 and 20 to the consolidated financial statements and the accounting policies 4(b), 4(e) and 4(u).<br><br>The Group's Robotics Education and Others Cash Generating Unit ("CGU") has goodwill and intangible assets with carrying amounts of HK$37,537,000 and HK$385,745,000 respectively. Goodwill together with intangible assets with indefinite useful lives are required to be tested for impairment on an annual basis with reference to the CGU recoverable amount.<br><br>In performing the impairment assessment, the recoverable amount of the CGU was determined on the basis of a value in use model that required significant management judgement in making assumptions about budgeted revenue, profit margins, growth rates and in selecting an appropriate market discount rate. | Our procedures in relation to management's impairment assessment included:<br><br>— Evaluating the independent external valuer's competence, capabilities and objectivity;<br><br>— Assessing the integrity of the value in use model;<br><br>— Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry;<br><br>— Reconciling input data to supporting evidence, including approved budgets and considering the historical accuracy of these budgets; and<br><br>— Assessing the appropriateness of the discount rate used with the assistance of our internal valuation specialist. |

## OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Wo Cheung.

**RSM Hong Kong**
*Certified Public Accountants*
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

14 June 2019

# Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>HK$'000 | 2018<br>HK$'000<br>(restated) |
|---|---|---|---|
| **Revenue** | 7 | **177,415** | 141,482 |
| Cost of service | | **(50,471)** | (48,675) |
| **Gross profit** | | **126,944** | 92,807 |
| Investment and other income | 8 | **2,654** | 338 |
| Other gains and losses | 9 | **1,888** | (2,687) |
| Impairment allowance on expected credit losses | | **(73)** | – |
| Selling and distribution expenses | | **(15,737)** | (18,016) |
| Administrative expenses | | **(28,364)** | (25,454) |
| Other expenses | | **–** | (32) |
| **Profit from operations** | | **87,312** | 46,956 |
| Finance costs | 11 | **(1,887)** | (1,891) |
| **Profit before tax** | | **85,425** | 45,065 |
| Income tax expense | 12 | **(26,593)** | (17,463) |
| **Profit for the year attributable to owners of the Company** | 13 | **58,832** | 27,602 |
| | | **HK cent** | HK cent |
| **Earnings per share** | | | |
| Basic (cents per share) | 17(a) | **3.10** | 1.51 |
| Diluted (cents per share) | 17(b) | **N/A** | N/A |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2019

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Profit for the year** | **58,832** | 27,602 |
| **Other comprehensive income** | | |
| *Item that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(33,185)** | 47,300 |
| **Total comprehensive income for the year attributable to owners of the Company** | **25,647** | 74,902 |

# Consolidated Statement of Financial Position

AT 31 MARCH 2019

| | Note | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 18 | **16,115** | 13,863 |
| Goodwill | 19 | **37,537** | 40,190 |
| Intangible assets | 20 | **385,745** | 413,792 |
| **Total non-current assets** | | **439,397** | 467,845 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | 22 | **44,030** | 52,868 |
| Bank and cash balances | 23 | **221,422** | 146,589 |
| **Total current assets** | | **265,452** | 199,457 |
| **TOTAL ASSETS** | | **704,849** | 667,302 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 28 | **18,957** | 18,957 |
| Reserves | 30 | **280,744** | 255,220 |
| **Total equity** | | **299,701** | 274,177 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Promissory note | 26 | **107,621** | 105,734 |
| Deferred tax liabilities | 27 | **98,537** | 105,698 |
| **Total non-current liabilities** | | **206,158** | 211,432 |
| **Current liabilities** | | | |
| Contract liabilities | 25 | **51,252** | – |
| Education course obligation | 25 | **–** | 38,841 |
| Receipt in advance | | **12** | 12 |
| Accruals and other payables | 24 | **110,647** | 109,912 |
| Current tax liabilities | | **37,079** | 32,928 |
| **Total current liabilities** | | **198,990** | 181,693 |
| **TOTAL EQUITY AND LIABILITIES** | | **704,849** | 667,302 |

Approved by the Board of Directors on 14 June 2019 and are signed on its behalf by:

| **He Chenguang** | **Bao Yueqing** |
|---|---|
| *Director* | *Director* |

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2019

| | Share capital HK$'000 | Share premium HK$'000 | Merger reserve HK$'000 | Foreign currency translation reserve HK$'000 | Statutory reserve HK$'000 | Share-based payment reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2017 | 16,557 | 1,249,389 | 8,320 | (19,711) | 625 | 3,316 | (1,167,070) | 91,426 |
| Shares issued upon subscription (note 28) | 2,400 | 105,449 | – | – | – | – | – | 107,849 |
| Share — based payments — lapsed share options (note 31) | – | – | – | – | – | (36) | 36 | – |
| Total comprehensive income for the year | – | – | – | 47,300 | – | – | 27,602 | 74,902 |
| Changes in equity for the year | 2,400 | 105,449 | – | 47,300 | – | (36) | 27,638 | 182,751 |
| At 31 March 2018 | 18,957 | 1,354,838 | 8,320 | 27,589 | 625 | 3,280 | (1,139,432) | 274,177 |
| At 1 April 2018 | **18,957** | **1,354,838** | **8,320** | **27,589** | **625** | **3,280** | **(1,139,432)** | **274,177** |
| Adjustment on initial application of — HKFRS 9 (note 3) | **–** | **–** | **–** | **–** | **–** | **–** | **(123)** | **(123)** |
| Restated balance at 1 April 2018 | **18,957** | **1,354,838** | **8,320** | **27,589** | **625** | **3,280** | **(1,139,555)** | **274,054** |
| Share — based payments — lapsed share options (note 31) | **–** | **–** | **–** | **–** | **–** | **(1,797)** | **1,797** | **–** |
| Total comprehensive income for the year | **–** | **–** | **–** | **(33,185)** | **–** | **–** | **58,832** | **25,647** |
| Changes in equity for the year | **–** | **–** | **–** | **(33,185)** | **–** | **(1,797)** | **60,629** | **25,647** |
| At 31 March 2019 | **18,957** | **1,354,838** | **8,320** | **(5,596)** | **625** | **1,483** | **(1,078,926)** | **299,701** |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2019

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | **85,425** | 45,065 |
| Adjustments for: | | |
| Amortisation of intangible assets (note 20) | **735** | 309 |
| Allowance on inventories | **–** | 56 |
| Depreciation (note 18) | **7,055** | 4,840 |
| Finance costs (note 11) | **1,887** | 1,891 |
| Impairment allowance on expected credit losses | **73** | – |
| Written off of property, plant and equipment | **43** | 13 |
| Gain on disposal of property, plant and equipment | **(206)** | – |
| Interest income (note 8) | **(478)** | (338) |
| Operating profit before working capital changes | **94,534** | 51,836 |
| Decrease/(increase) in prepayments, deposits and other receivables | **8,838** | (20,286) |
| Increase in accruals and other payables | **735** | 5,322 |
| Increase in contract liabilities (2018: education course obligation) | **14,999** | 17,260 |
| Decrease in receipt in advance | **–** | (117) |
| Cash generated from operations | **119,106** | 54,015 |
| Income tax paid | **(20,905)** | (3,191) |
| Net cash generated from operating activities | **98,201** | 50,824 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from disposals of property, plant and equipment | **340** | – |
| Purchase of intangible assets (note 20) | **–** | (2,226) |
| Purchases of property, plant and equipment (note 18) | **(10,401)** | (12,281) |
| Settlement of service fee payable to CCI relating to Exclusive Rights | **–** | (105,000) |
| Interest received (note 8) | **478** | 338 |
| Net cash used in investing activities | **(9,583)** | (119,169) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds from subscription of shares (note 28) | **–** | 107,849 |
| Net cash generated from financing activities | **–** | 107,849 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **88,618** | 39,504 |
| Effect of foreign exchange rate changes | **(13,662)** | 14,560 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **146,589** | 92,525 |
| Less: Impairment allowance on expected credit losses on 1 April | **(123)** | – |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **221,422** | 146,589 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Bank and cash balances | **221,422** | 146,589 |

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309 GT, Ugland House, South Church Street, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements.

## 2. 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 3 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.

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

### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

*HKFRS 9 Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

*Classification*

From 1 April 2018, the Group classifies its financial assets to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

*Measurement*

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets measured at amortised cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised HKFRSs (Continued)

*HKFRS 9 Financial instruments* (Continued)

*Impairment*

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Amount due from a substantial shareholder is trade in nature hence the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening accumulated losses as at 1 April 2018 is as follows:

| | HK$'000 |
|---|---|
| Increase in expected credit loss ("ECL") for bank and cash balances | (123) |
| Adjustment to accumulated losses from adoption of HKFRS 9 on 1 April 2018 | (123) |
| Attributable to: | |
| owners of the Company | (123) |

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

| Financial assets | Classification under HKAS 39 | Classification under HKFRS 9 | Carrying amount under HKAS 39<br>HK$'000 | Carrying amount under HKFRS 9<br>HK$'000 |
|---|---|---|---|---|
| Amount due from a substantial shareholder | Loans and receivables | Amortised cost | 43,956 | 43,956 |
| Amount due from a related company | Loans and receivables | Amortised cost | 469 | 469 |
| Other receivables | Loans and receivables | Amortised cost | 675 | 675 |
| Deposits | Loans and receivables | Amortised cost | 810 | 810 |
| Bank and cash balances | Loans and receivables | Amortised cost | 146,589 | 146,466 |

All financial assets above that were classified as loans and receivables under HKAS 39 are now classified as amortised cost. An increase of HK$123,000 in the allowance for expected credit loss was recognised in the opening accumulated losses on 1 April 2018 on transition to HKFRS 9.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Application of new and revised HKFRSs (Continued)

*HKFRS 9 Financial instruments* (Continued)

*Impairment (Continued)*

The impact of these changes on the Group's equity is as follows:

| | **Effect on accumulated losses** HK$'000 |
|---|---|
| Opening balance — HKAS 39 | (1,139,432) |
| Remeasurement (ECL allowance) on bank and cash balances | (123) |
| Opening balance — HKFRS 9 | (1,139,555) |

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 April 2018 results in an additional impairment allowance as follows:

| | **At 1 April 2018 under HKFRS 9** HK$'000 |
|---|---|
| Impairment allowance at 31 March 2018 under HKAS 39 | – |
| Additional ECL allowance recognised at 1 April 2018 on bank and cash balances under HKFRS 9 | (123) |
| Impairment allowance at 1 April 2018 under HKFRS 9 | (123) |

Impairment allowance on expected credit losses are presented separately in statement of profit or loss.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Application of new and revised HKFRSs (Continued)

***HKFRS 15 Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations. The application of HKFRS 15 does not have material impact on the timing and amounts of revenue recognition of the Group.

Contract liabilities represented the advance payments from students who had enrolled the Group's robotics courses which were previously presented as education course obligation under the consolidated statement of financial position. Upon adoption of HKFRS 15, an amount of HK$38,841,000 was reclassified to contract liabilities as at 1 April 2018. Apart from above, the adoption of HKFRS 15 has no material changes to the Group's accounting policies.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| HKFRS 16 Leases | 1 April 2019 |
| HK(IFRIC) 23 Uncertainty over Income Tax Treatments | 1 April 2019 |
| Annual Improvements to HKFRSs 2015–2017 Cycle | 1 April 2019 |

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 the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

*HKFRS 16 Leases*

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$12,189,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2020 onwards.

*HK(IFRIC) 23 Uncertainty over Income Tax Treatments*

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise the right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (b) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Business combination (other than under common control) and goodwill (Continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### (c) Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

*(ii) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*(iii) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to the consolidated profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Computer equipment | 33% – 50% |
| Leasehold improvement | Shorter of unexpired lease period and useful lives |
| Equipment, furniture and fixtures | 20% – $33^1/_3$% |
| Motor vehicles | 18% – 25% |
| Training equipments | $33^1/_3$% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (e) Intangible assets

*(i) Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset.

Intangible assets assessed to have indefinite useful lives are not amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated remaining useful life.

Impairment reviews of intangible assets with indefinite useful lives are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment.

*(ii) Intangible assets*

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives.

**4. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(f) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 4(v) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(g) Operating leases (the Group as lessee)

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Debt investments*

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

### (j) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

### (l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an equity after deductly all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (p) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

*Promotion and Management Services*

The Group provides "Designated Shentong Card" marketing and after-sale services to its substantial shareholder 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"). The Group is responsible for providing the relevant services to CCC on an ongoing basis and relevant revenue being calculated and settled according to relevant contract monthly. The management is of the opinion that the relevant services are provided as a series of distinct services of similar nature which CCC consumes as the Group provides, hence the relevant revenue are recognised over the ongoing servicing period.

The revenue includes issuance handling fees, sale commission and technical service commission.

*Robotics Education and Others*

The Group organises various robotics courses and competition events in Heilongjiang Province of the PRC under terms of the Exclusive Right (Note 20(i)).

For robotics course income, the Group charges the enrolled students with published course fees fully in advance and recorded as "contract liabilities". The courses are divided into lessons of equal teaching hours that scheduled across a period of several months to half year. The Group recognise the corresponding portion of course fee as revenue after the delivery of each lesson. At the end of accounting period, the carrying amount of "contract liabilities" represents the transaction price of lessons allocated to the remaining performance obligation with enrolled students (i.e. unearned revenue).

For training equipment rental income, the Group charges the user with rental fee and recognise as revenue over the rental period. The rental periods are generally within hours, depending on training equipment types.

* *English name is for identification purpose only.*

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue recognition (Continued)

*Robotics Education and Others* (Continued)

The Group also has the following types of revenue which recognised at the point of time when the relevant services are rendered.

— For competition admission income, the Group charges the participant with admission fee upon registration and recognise as revenue when the relevant competition being held.

— For voting service income of robotics events, the Group charges the voter and recognise as revenue at the time when casting the vote.

*Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

*Policy prior to 1 April 2018*

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Promotion and management services income includes issuance handling fees and sales commission which are recognised when each electronic smart card "Designated Shentong Card" being activated. Technical services commission are recognised when expenditures of Designated Shentong Card are made by users.

Education course income is recognised when the relevant lessons is provided.

Competition admission fee income is recognised when the service is rendered.

Rental income of training equipments is recognised upon provision of rental service.

Interest income is recognised on a time-proportion basis using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

*(iii) Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Share-based payments

The Group issues equity-settled share-based payments to certain employees and others providing similar services. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Impairment of non-financial assets

Intangible assets that hare an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (v) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Impairment of financial assets and contracts assets (Continued)

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Impairment of financial assets and contracts assets (Continued)

*Significant increase in credit risk* (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or

— the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(v) Impairment of financial assets and contracts assets (Continued)

*Measurement and recognition of ECL*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Policy prior to 1 April 2018*

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Impairment of financial assets and contracts assets (Continued)

*Policy prior to 1 April 2018* (Continued)

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

### (w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

### *(a) Exclusive Rights assessed to have indefinite useful lives*

The Group regarded and assessed the Exclusive Rights to have indefinite useful lives as at date of acquisition and at end of reporting period. Accounting policy of intangible assets with indefinite useful lives is set out in note 4(e) to the consolidated financial statements. Details of the Exclusive Rights and the reasons for the Group's assessment are set out in note 20 to the consolidated financial statements.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### Critical judgements in applying accounting policies (Continued)

*(b) Significant increase in credit risk*

As explained in note 4(v), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*(a) Useful lives and depreciation of property, plant and equipment*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2019 was HK$16,115,000 (2018: HK$13,863,000).

*(b) Robotics Education and Others CGU impairment assessment*

The Group's Robotics Education and Others Cash Generating Unit ("CGU") has goodwill and intangible assets (i.e. Exclusive Rights and Mobile Application). These relate to the Group's acquisition of Robotics Education Course and Others operations which management is required to assess for impairment. The impairment assessment involve the value in use of CGU, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill and intangible assets at end of the reporting period were HK$37,537,000 and HK$385,745,000 (2018: HK$40,190,000 and HK$413,792,000) respectively.

*(c) Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$26,593,000 (2018: HK$17,463,000) of income tax was charged in profit or loss based on the estimated profits of the Group's subsidiaries in the PRC.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operation entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

*Trade receivables (including trade in nature balances)*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 90 days past due are requested to settle all outstanding balances before any further credit is granted.

The Group measures loss allowances for trade receivables and similar trade in nature balances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group's amount due from a substantial shareholder is trade in nature.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) **Credit risk** (Continued)

*Trade receivables (including trade in nature balances)* (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for amount due from a substantial shareholder as at 31 March 2019:

| | **Expected loss rate** % | **Gross carrying amount** HK$'000 | **Loss allowance** HK$'000 |
|---|---|---|---|
| Not past due | 0% | 14,732 | – |
| 1–30 days past due | 0% | 12,508 | – |
| 31–60 days past due | 0% | 12,056 | – |
| 61–90 days past due | 0% | – | – |
| More than 90 days past due | 1.75% | – | – |
| | | 39,296 | – |

Expected loss rates are based on actual loss experience over the past 3 years and are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

*Prior to 1 April 2018*

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, no amount due from a substantial shareholder was determined to be impaired and the aging analysis of trade debtors that were not considered to be impaired was as follows:

| | At 31 March 2018 HK$'000 |
|---|---|
| Not past due | 16,952 |
| 1–30 days past due | 12,083 |
| 31–60 days past due | 12,643 |
| 61–90 days past due | 2,278 |
| Over 90 days past due | – |
| | 43,956 |

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (Continued)

*Financial assets at amortised cost*

Financial assets at amortised cost include amount due from a related party, other receivables, deposits and bank and cash balances.

All of the Group's investments amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. They are considered to be 'low credit risk' when they have a low rate of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for financial assets at amortised cost as at 31 March 2018 reconciles to the opening loss allowance on 1 April 2018 and to the closing allowance as at 31 March 2019 as follows:

| | **Amount due from a related party** HK$'000 | **Other receivables** HK$'000 | **Deposits** HK$'000 | **Bank and cash balances** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| At 31 March 2018 under HKAS 39 | – | – | – | – | – |
| Impact on initial application of HKFRS 9 (note 3) | – | – | – | (123) | (123) |
| Adjusted balance at 1 April 2018 | – | – | – | (123) | (123) |
| Impairment allowance recognised for the year | – | – | – | (73) | (73) |
| At 31 March 2019 | – | – | – | (196) | (196) |

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

| | Less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 31 March 2019** | | | |
| Accruals and other payables | **110,647** | **–** | **110,647** |
| Promissory note | **–** | **109,991** | **109,991** |
| **At 31 March 2018** | | | |
| Accruals and other payables | 109,912 | – | 109,912 |
| Promissory note | – | 108,098 | 108,098 |

### (d) Interest rate risk

The Group has minimal exposure to interest rate risk as the changes in market interest rates have insignificant effect on the Group's operating cash flow.

The Group's interest-rate risk arises from promissory note, which is at fixed rate and will expose the Group to fair value interest-rate risk.

### (e) Categories of financial instruments at 31 March:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Financial assets:** | | |
| Financial assets measured at amortised cost | | |
| — Deposits and other receivables | **41,118** | – |
| — Bank and cash balances | **221,422** | – |
| Loans and receivables (including cash and cash equivalents) | | |
| — Deposits and other receivables | **–** | 45,910 |
| — Bank and cash balances | **–** | 146,589 |
| **Financial liabilities:** | | |
| Financial liabilities at amortised cost | | |
| — Accruals and other payables | **110,647** | 109,912 |
| — Promissory note | **107,621** | 105,734 |

### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. 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 HKFRS15

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Reportable Segments** | **Promotion and Management Services HK$'000** | **Robotics Education and Others HK$'000** | **Total HK$'000** | Promotion and Management Services HK$'000 | Robotics Education and Others HK$'000 | Total HK$'000 |
| **Types of service** | | | | | | |
| Promotion and Management Services | | | | | | |
| — Designated Shentong Cards | **22,097** | **–** | **22,097** | 31,420 | – | 31,420 |
| Robotics Education and Others | | | | | | |
| — Robotics course | **–** | **140,582** | **140,582** | – | 103,620 | 103,620 |
| — Rental of training equipment | **–** | **5,103** | **5,103** | – | 3,288 | 3,288 |
| — Competition admission | **–** | **5,872** | **5,872** | – | 3,154 | 3,154 |
| — Voting service of robotics events | **–** | **3,761** | **3,761** | – | – | – |
| | **–** | **155,318** | **155,318** | – | 110,062 | 110,062 |
| **Total** | **22,097** | **155,318** | **177,415** | 31,420 | 110,062 | 141,482 |
| **Geographical market** | | | | | | |
| Mainland China | **22,097** | **155,318** | **177,415** | 31,420 | 110,062 | 141,482 |
| **Time of revenue recognition** | | | | | | |
| A point in time | **–** | **9,633** | **9,633** | – | 3,154 | 3,154 |
| Over time | **22,097** | **145,685** | **167,782** | 31,420 | 106,908 | 138,328 |
| | **22,097** | **155,318** | **177,415** | 31,420 | 110,062 | 141,482 |

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

## 7. REVENUE (CONTINUED)

### (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 2019 and the expected timing of recognising revenue as follows:

| | **Robotics Education and Others** HK$'000 |
|---|---|
| Within 1 year | 51,252 |
| More than 1 year | – |
| | 51,252 |

## 8. INVESTMENT AND OTHER INCOME

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Advertising income | **631** | – |
| Interest income | **478** | 338 |
| Sponsorship income | **1,545** | – |
| | **2,654** | 338 |

## 9. OTHER GAINS AND LOSSES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Exchange gain/(loss) | **1,725** | (2,674) |
| Gain on disposal of property, plant and equipment | **206** | – |
| Written off of property, plant and equipment | **(43)** | (13) |
| | **1,888** | (2,687) |

## 10. SEGMENT INFORMATION

The Group has the following operating segments:

| | | |
|---|---|---|
| Promotion and Management Services | — | Provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC. |
| Robotics Education and Others | — | Organising and hosting of China Robot Competition ("CRC") and provision of CRC education course in Heilongjiang Province in the PRC. |

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Each of the above operating segments corresponds to related subsidiaries engaging in the respective segment activities.

The accounting policies of the operating segment are the same as those described in note 4 to the consolidated financial statements. 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:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Promotion and Management Services HK$'000 | Robotics Education and Others HK$'000 | Total HK$'000 | Promotion and Management Services HK$'000 | Robotics Education and Others HK$'000 | Total HK$'000 |
| **Year ended 31 March** | | | | | | |
| Revenue from external customer (including a related company) | **22,097** | **155,318** | **177,415** | 31,420 | 110,062 | 141,482 |
| Segment (loss)/profit | **(2,397)** | **104,545** | **102,148** | 3,842 | 60,110 | 63,952 |
| Interest income | **75** | **398** | **473** | 80 | 256 | 336 |
| Depreciation and amortisation | **301** | **7,457** | **7,758** | 406 | 4,721 | 5,127 |
| Additions to segment non-current assets: | | | | | | |
| — Purchase of intangible assets (note 20) | **–** | **–** | **–** | – | 2,226 | 2,226 |
| — Purchases of property, plant and equipment (note 18) | **25** | **10,305** | **10,330** | 141 | 12,127 | 12,268 |
| | **25** | **10,305** | **10,330** | 141 | 14,353 | 14,494 |
| **As at 31 March** | | | | | | |
| Segment assets | **41,608** | **678,171** | **719,779** | 47,382 | 630,996 | 678,378 |
| Segment liabilities | **2,326** | **263,705** | **266,031** | 2,180 | 249,496 | 251,676 |

## 10. SEGMENT INFORMATION (CONTINUED)

Reconciliations of segment revenue, profit, assets and liabilities:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue of reportable segments | **177,415** | 141,482 |
| Consolidated revenue | **177,415** | 141,482 |
| **Profit or loss** | | |
| Total profit of reportable segments | **102,148** | 63,952 |
| Finance costs | **(1,887)** | (1,891) |
| Income tax expense | **(26,593)** | (17,463) |
| Unallocated amounts: | | |
| Consultancy fee | **(130)** | (780) |
| Directors' emoluments and allowances (note 15(a)) | **(4,106)** | (4,006) |
| Legal and professional fee | **(534)** | (1,509) |
| Rent | **(2,461)** | (2,461) |
| Salaries and allowances | **(4,487)** | (5,067) |
| Other unallocated head office and corporate expenses | **(3,118)** | (3,173) |
| Consolidated profit for the year | **58,832** | 27,602 |
| **Assets** | | |
| Total assets of reportable segments | **719,779** | 678,378 |
| Elimination of intersegment assets | **(122,915)** | (117,915) |
| Unallocated assets: | | |
| Amount due from reportable segment | **105,000** | 105,000 |
| Bank and cash balances | **1,943** | 704 |
| Other unallocated head office and corporate assets | **1,042** | 1,135 |
| Consolidated total assets | **704,849** | 667,302 |
| **Liabilities** | | |
| Total liabilities of reportable segment | **266,031** | 251,676 |
| Elimination of intersegment assets | **(117,915)** | (117,915) |
| Current tax liabilities | **37,079** | 32,928 |
| Deferred tax liabilities | **98,537** | 105,698 |
| Promissory note | **107,621** | 105,734 |
| Other unallocated head office and corporate liabilities | **13,795** | 15,004 |
| Consolidated total liabilities | **405,148** | 393,125 |

## 10. SEGMENT INFORMATION (CONTINUED)

### 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

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| CCC — Promotion and Management Services segment | **22,097** | 31,420 |

## 11. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on promissory note payable to China Communication Investment Limited ("CCI") | **1,887** | 1,891 |

## 12. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax — PRC | | |
| Provision for the year | **26,777** | 16,821 |
| Under-provision in prior year | **–** | 162 |
| Deferred tax (note 27) | **(184)** | 480 |
| | **26,593** | 17,463 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2019 and 2018.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

## 12. INCOME TAX EXPENSE (CONTINUED)

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

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before tax | **85,425** | 45,065 |
| Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%) | **21,356** | 11,266 |
| Tax effect of temporary differences not recognised | **(184)** | 460 |
| Tax effect of expenses that are not deductible | **4,209** | 5,575 |
| Tax effect of unused tax losses not recognised | **599** | – |
| PRC dividend tax | **613** | – |
| Under-provision in the prior year | **–** | 162 |
| Income tax expense | **26,593** | 17,463 |

## 13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Auditor's remuneration | | |
| — audit services | **680** | 650 |
| — other services | **593** | 578 |
| | **1,273** | 1,228 |
| Amortisation of intangible assets | | |
| — included in cost of service | **735** | 309 |
| Allowance on inventories | | |
| — included in cost of service | **–** | 56 |
| Depreciation | **7,055** | 4,840 |
| Operating lease charges for land and buildings | **8,205** | 7,960 |
| Legal and professional fee (excluding auditor's remuneration) | **547** | 1,522 |

## 14. EMPLOYEE BENEFITS EXPENSE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Employee benefits expenses: | | |
| Salaries, bonuses and allowances | **24,074** | 19,070 |
| Retirement benefit scheme contributions | **1,937** | 1,694 |
| | **26,011** | 20,764 |

### Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2018: two) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2018: three) individuals are set out below:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Basic salaries and allowances | **2,769** | 2,871 |
| Retirement benefits scheme contributions | **53** | 54 |
| | **2,822** | 2,925 |

The emoluments fell within the following band:

| | Number of individuals | |
|---|---|---|
| | 2019 | 2018 |
| Nil to HK$1,000,000 | **2** | 2 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | 1 |

## 15. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of every director is set out below:

| | Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fees HK$'000 | Salaries HK$'000 | Discretionary bonus HK$'000 | Estimated money value of other benefits HK$'000 | Employer's contribution to a retirement benefits scheme HK$'000 | Remunerations paid or receivable in respect of accepting office director HK$'000 | Housing allowance HK$'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | | | | | |
| He Chenguang | **–** | **2,210** | **–** | **–** | **18** | **–** | **–** | **–** | **2,228** |
| Bao Yueqing | **–** | **1,170** | **–** | **–** | **18** | **–** | **390** | **–** | **1,578** |
| **Independent non-executive directors** | | | | | | | | | |
| Yip Tai Him | **100** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **100** |
| Han Liqun | **100** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **100** |
| Zhang Li | **100** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **100** |
| Total for the year ended 31 March 2019 | **300** | **3,380** | **–** | **–** | **36** | **–** | **390** | **–** | **4,106** |
| **Executive directors** | | | | | | | | | |
| He Chenguang | – | 2,160 | – | – | 18 | – | – | – | 2,178 |
| Bao Yueqing | – | 1,126 | – | – | 18 | – | 384 | – | 1,528 |
| **Independent non-executive directors** | | | | | | | | | |
| Yip Tai Him | 100 | – | – | – | – | – | – | – | 100 |
| Han Liqun | 100 | – | – | – | – | – | – | – | 100 |
| Zhang Li | 100 | – | – | – | – | – | – | – | 100 |
| Total for the year ended 31 March 2018 | 300 | 3,286 | – | — | 36 | — | 384 | – | 4,006 |

None of the directors had waived any emoluments during the year (2018: Nil).

### (b) Directors' material interests in transactions, arrangements or contracts

Save for salaries and allowance paid to a close family member of an executive director as disclosed in note 36(a) to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 16. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2018: Nil).

## 17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation | **58,832** | 27,602 |

(a) Basic earnings per share

| | **2019** | 2018 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,895,697,017** | 1,833,888,798 |

(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 2019 and 2018.

## 18. PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment HK$'000 | Leasehold improvements HK$'000 | Equipment, furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Training equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2017 | 4,874 | 1,917 | 983 | 1,718 | 4,219 | 13,711 |
| Additions | 4,613 | 1,770 | 61 | 744 | 5,093 | 12,281 |
| Written off | (4) | – | – | – | (199) | (203) |
| Exchange differences | 752 | 209 | 127 | 274 | 924 | 2,286 |
| At 31 March 2018 and 1 April 2018 | 10,235 | 3,896 | 1,171 | 2,736 | 10,037 | 28,075 |
| Additions | 855 | 3,459 | 340 | – | 5,747 | 10,401 |
| Written off | – | – | – | – | (617) | (617) |
| Disposal | (8) | – | – | (34) | (112) | (154) |
| Exchange differences | (666) | (200) | (79) | (181) | (671) | (1,797) |
| At 31 March 2019 | 10,416 | 7,155 | 1,432 | 2,521 | 14,384 | 35,908 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 April 2017 | 4,554 | 1,458 | 465 | 378 | 1,440 | 8,295 |
| Charge for the year | 800 | 202 | 192 | 497 | 3,149 | 4,840 |
| Written off | (4) | – | – | – | (186) | (190) |
| Exchange differences | 494 | 67 | 79 | 115 | 512 | 1,267 |
| At 31 March 2018 and 1 April 2018 | 5,844 | 1,727 | 736 | 990 | 4,915 | 14,212 |
| Charge for the year | 1,672 | 1,361 | 222 | 457 | 3,343 | 7,055 |
| Written off | – | – | – | – | (574) | (574) |
| Disposal | (4) | – | – | (15) | (1) | (20) |
| Exchange differences | (379) | (66) | (53) | (70) | (312) | (880) |
| At 31 March 2019 | 7,133 | 3,022 | 905 | 1,362 | 7,371 | 19,793 |
| **Carrying amount** | | | | | | |
| At 31 March 2019 | 3,283 | 4,133 | 527 | 1,159 | 7,013 | 16,115 |
| At 31 March 2018 | 4,391 | 2,169 | 435 | 1,746 | 5,122 | 13,863 |

## 19. GOODWILL

| | Robotics Education and Others CGU HK$'000 |
|---|---|
| **Cost** | |
| As at 1 April 2017 | 36,302 |
| Exchange differences | 3,888 |
| At 31 March 2018 and 1 April 2018 | 40,190 |
| Exchange differences | (2,653) |
| At 31 March 2019 | 37,537 |
| **Accumulated impairment losses** | |
| As at 1 April 2017 | – |
| Exchange differences | – |
| At 31 March 2018 and 1 April 2018 | – |
| Exchange differences | – |
| At 31 March 2019 | – |
| **Carrying amount** | |
| At 31 March 2019 | 37,537 |
| At 31 March 2018 | 40,190 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

The recoverable amounts of the 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, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

## 19. GOODWILL (CONTINUED)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2018: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's Robotics Education and Others CGU is 27.3% (2018: 28.5%).

## 20. INTANGIBLE ASSETS

| | Distribution network HK$'000 | Service contract HK$'000 | Exclusive Rights HK$'000 (note (i)) | Mobile Application HK$'000 (note (ii)) | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2017 | 66,568 | 165,496 | 371,929 | – | 603,993 |
| Additions | – | – | – | 2,226 | 2,226 |
| Exchange differences | 7,129 | 17,724 | 39,833 | 132 | 64,818 |
| At 31 March 2018 and 1 April 2018 | 73,697 | 183,220 | 411,762 | 2,358 | 671,037 |
| Exchange differences | (4,864) | (12,094) | (27,179) | (156) | (44,293) |
| At 31 March 2019 | 68,833 | 171,126 | 384,583 | 2,202 | 626,744 |
| **Accumulated amortisation and impairment losses** | | | | | |
| At 1 April 2017 | 66,568 | 165,496 | – | – | 232,064 |
| Amortisation for the year | – | – | – | 309 | 309 |
| Exchange differences | 7,129 | 17,724 | – | 19 | 24,872 |
| At 31 March 2018 and 1 April 2018 | 73,697 | 183,220 | – | 328 | 257,245 |
| Amortisation for the year | – | – | – | 735 | 735 |
| Exchange differences | (4,864) | (12,094) | – | (23) | (16,981) |
| At 31 March 2019 | 68,833 | 171,126 | – | 1,040 | 240,999 |
| **Carrying amount** | | | | | |
| At 31 March 2019 | – | – | 384,583 | 1,162 | 385,745 |
| At 31 March 2018 | – | – | 411,762 | 2,030 | 413,792 |

## 20. INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) Exclusive Rights represent the rights to use the CRC Shengtong Card payment system, to organise and develop China Robot Competition (全國素質體育機器人運動會) ("CRC") competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC.

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

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

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

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

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

As the economic benefits arising from these intangible assets are totally integrated with Robotics Education and Others CGU, these carrying amounts have been taken into consideration for the impairment assessment of goodwill allocated to this CGU (note 19).

(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 1.58 years. (2018: 2.58 years)

## 21. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2019 are as follows:

| Name | Place of incorporation/ registration and operation | Issued and paid up capital/ registered capital | Percentage of ownership interest/voting power/profit sharing Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Copious Link Ventures Limited | British Virgin Islands | US$10 ordinary shares | 100% | – | Investment holding |
| Favor Grow Holdings Limited | British Virgin Islands | US$10 ordinary shares | 100% | – | Investment holding |
| HK6 Investment China (BVI) Limited | British Virgin Islands | US$1 ordinary share | 100% | – | Investment holding |
| HK6 Investment Limited | British Virgin Islands | US$2,614 ordinary shares | 100% | – | Investment holding |
| China Communication Investment (H.K.) Limited | Hong Kong | HK$100 ordinary shares | – | 100% | Investment holding |
| Global Luck Investment Limited | Hong Kong | HK$1 ordinary share | – | 100% | Investment holding |
| Grandsun International Creation Limited | Hong Kong | HK$1 ordinary share | – | 100% | Investment holding |
| hk6.com Limited | Hong Kong | HK$1,000 ordinary shares | – | 100% | Inactive |
| HK6 Media Limited | Hong Kong | HK$2 ordinary shares | – | 100% | Lessee of office premises |
| Hong Kong Financial Institute Limited | Hong Kong | HK$1,307 ordinary shares | – | 100% | Inactive |
| Oriental Glory (H.K.) Limited | Hong Kong | HK$1 ordinary share | – | 100% | Investment holding |
| Pro-Concept Development Limited | British Virgin Islands | US$1 ordinary share | – | 100% | Inactive |
| Sino Key International Limited | British Virgin Islands | US$1 ordinary share | – | 100% | Inactive |
| Success Advantage Investments Limited | British Virgin Islands | US$1 ordinary share | – | 100% | Inactive |
| 神州奧美網絡(國際)有限公司 | Hong Kong | HK$1 ordinary share | 100% | – | Inactive |

## 21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 March 2019 are as follows: (Continued)

| Name | Place of incorporation/ registration and operation | Issued and paid up capital/ registered capital | Percentage of ownership interest/voting power/profit sharing | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 北京神通益家科技服務有限公司 (note) (Beijing Shentong Yijia Technology Services Company Limited*) | PRC | RMB1,000,000 | – | 100% | Provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC |
| 黑龍江神通文化俱樂部有限公司 (note) (Heilongjiang Shentong Cultural Club Company Limited*) | PRC | RMB1,000,000 | – | 100% | Provision of robot related consultancy services, organisation of robot competition using Shentong Card as main payment medium, conference services and advertising services |

Note: Established in the PRC as a wholly foreign-owned enterprise.

* *English name is for identification purpose only*

As at 31 March 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to approximately HK$219,426,000 (2018: HK$145,817,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Amount due from a substantial shareholder (note a) | **39,296** | 43,956 |
| Amount due from a related company (note b) | **–** | 469 |
| Other receivables | **1,018** | 675 |
| Prepayments and deposits | **3,716** | 7,768 |
| | **44,030** | 52,868 |

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

(b) The amount due from a related company was denominated in RMB, unsecured, interest-free and repayable on demand.

## 23. BANK AND CASH BALANCES

As at 31 March 2019, the bank and cash balances of the Group denominated in RMB was amounted to approximately HK$219,426,000 (2018: HK$145,817,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 24. ACCRUALS AND OTHER PAYABLES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Amount due to a substantial shareholder (note a) | **95,100** | 95,100 |
| Amounts due to related companies (note b) | **1,364** | 564 |
| Accrued salaries | **5,880** | 3,809 |
| Accrued expenses | **1,110** | 2,670 |
| Security deposits (note c) | **5,252** | 5,624 |
| Other payables | **1,941** | 2,145 |
| | **110,647** | 109,912 |

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 2019.

(b) The amounts due to related companies are denominated in HK$, unsecured, interest-free and repayable on demand.

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

## 25. CONTRACT LIABILITIES (2018: EDUCATION COURSE OBLIGATION)

| Contract liabilities | **31 March 2019 HK$'000** | 1 April 2018 HK$'000 | 31 March 2018 HK$'000 |
|---|---|---|---|
| Billings in advance of performance obligation | | | |
| — Robotics course fee | **51,252** | 38,841 | 38,841 |

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

Movements in contract liabilities:

| | **HK$'000** |
|---|---|
| Balance at 1 April 2018 | **38,841** |
| Increase in contract liabilities as a result of advance payments of robotics course fee received | **160,413** |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period | **(145,414)** |
| Exchange differences | **(2,588)** |
| Balance at 31 March 2019 | **51,252** |

## 26. PROMISSORY NOTE

As at 31 March 2019, the promissory note is held by CCI with principal amount of approximately HK$94,427,000 (2018: HK$94,427,000).

On 31 March 2018, the Group and CCI agreed to extend the maturity date from 30 June 2018 to 30 June 2019. On 31 March 2019, the Group and CCI agreed to extend the maturity date from 30 June 2019 to 30 June 2020.

The principal amount of the promissory note is denominated in HK$. The promissory note is unsecured. As at 31 March 2019, the coupon rate is 2% per annum (2018: 2% per annum) and the effective interest rate is 1.75% (2018: 1.79%).

## 27. DEFERRED TAX LIABILITIES

| | **Intangible assets** | **Undistributed profits of subsidiaries** | **Total** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2017 | 92,983 | 2,031 | 95,014 |
| Charge to profit or loss for the year *(note 12)* | 480 | – | 480 |
| Exchange differences | 9,986 | 218 | 10,204 |
| At 31 March 2018 and 1 April 2018 | 103,449 | 2,249 | 105,698 |
| Credit to profit or loss for the year *(note 12)* | (184) | – | (184) |
| Exchange differences | (6,828) | (149) | (6,977) |
| At 31 March 2019 | 96,437 | 2,100 | 98,537 |

At the end of the reporting period, the Group has unused tax losses of approximately HK$19,566,000 (2018: HK$19,566,000) available for offset against future profits and may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$220,243,000 (2018: HK$142,765,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 28. SHARE CAPITAL

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | | **HK$'000** | | HK$'000 |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.01 each | | | | |
| At the beginning and the end of the year | **10,000,000,000** | **100,000** | 10,000,000,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of HK$0.01 each | | | | |
| At the beginning of the year | **1,895,697,017** | **18,957** | 1,655,697,017 | 16,557 |
| Shares issued upon subscription (note) | **–** | **–** | 240,000,000 | 2,400 |
| At the end of the year | **1,895,697,017** | **18,957** | 1,895,697,017 | 18,957 |

Note: On 21 June 2017, the Company entered into Subscription Agreements (as defined in the announcement of the Company dated the same) with 2 independent investors in respect a total of 240,000,000 new shares of the Company to be allotted and issued to them at HK$0.45 per new share. The Subscription Agreements were completed on 4 July 2017.

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.

## 28. SHARE CAPITAL (CONTINUED)

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 follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Total debt | **204,085** | 201,398 |
| Less: cash and cash equivalents | **(221,422)** | (146,589) |
| Net debt | **N/A** | 54,809 |
| Total equity | **299,701** | 274,177 |
| Debt-to-adjusted capital ratio | **N/A** | 20% |

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.

## 29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **30,020** | 30,020 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **169,885** | 169,856 |
| Prepayments, deposits and other receivables | | **118** | 249 |
| Bank and cash balances | | **1,641** | 366 |
| **Total current assets** | | **171,644** | 170,471 |
| **TOTAL ASSETS** | | **201,664** | 200,491 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | **18,957** | 18,957 |
| Reserves | 29(b) | **148,811** | 163,648 |
| **Total equity** | | **167,768** | 182,605 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accruals and other payables | | **758** | 1,956 |
| Amount due to subsidiaries | | **33,138** | 15,930 |
| **Total current liabilities** | | **33,896** | 17,886 |
| **TOTAL EQUITY AND LIABILITIES** | | **201,664** | 200,491 |

Approved by the Board of Directors on 14 June 2019 and are signed on its behalf by:

| | |
|---|---|
| **He Chenguang** | **Bao Yueqing** |
| *Director* | *Director* |

## 29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

| | Share premium HK$'000 | Share-based payment reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2017 | 1,249,389 | 3,316 | (1,177,775) | 74,930 |
| Loss for the year | – | – | (16,731) | (16,731) |
| Share issued upon subscription (note 28) | 105,449 | – | – | 105,449 |
| Share — based payments | | | | |
| — lapsed share options (note 31) | – | (36) | 36 | – |
| At 31 March 2018 | 1,354,838 | 3,280 | (1,194,470) | 163,648 |
| At 1 April 2018 | 1,354,838 | 3,280 | (1,194,470) | 163,648 |
| Loss for the year | – | – | (14,837) | (14,837) |
| Share — based payments | | | | |
| — lapsed share options (note 31) | – | (1,797) | 1,797 | – |
| At 31 March 2019 | 1,354,838 | 1,483 | (1,207,510) | 148,811 |

## 30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

*(i) Share premium*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

*(ii) Merger reserve*

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 2002.

*(iii) Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

*(iv) Statutory reserve*

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

*(v) Share-based payment reserve*

The share-based payment reserve represents equity-settled share-based payments to certain eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4(r) to the consolidated financial statements.

## 31. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The purpose of the Company's share option scheme (the "Scheme") is to provide incentives and rewards to eligible participants who may contribute to the growth and development of the Group. Eligible participants include the employees (including executive directors), non-executive directors (including independent non-executive directors), any consultants, suppliers or customers, employees of any invested entity and any person who, in the sole discretion of the Board has contributed or may contribute to the Group eligible for share options under the Scheme.

At the annual general meeting of the Company held on 7 August 2013, the Company's shareholders approved the adoption of the Scheme. The Scheme became effective on 7 August 2013 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date.

The maximum number of shares under the Scheme which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for a share of the Company in respect of any particular option granted under the Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

## 31. SHARE-BASED PAYMENTS (CONTINUED)

### Equity-settled share option scheme (Continued)

Details of the outstanding options granted to employees and directors under the Scheme as at the end of reporting periods are as follows:

| Date of grant | Vesting period | Exercisable period | Exercise price | Number of shares issuable under options granted | |
|---|---|---|---|---|---|
| | | | HK$ | **2019** | 2018 |
| | | | | **'000** | '000 |
| 26 August 2016 | Immediately | 26 August 2016 to 25 August 2019 (both days inclusive) | 0.53 | **7,800** | 17,800 |

Options not exercised were expired after the exercisable period.

Details of the share options outstanding during the year are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price** | Number of share options | Weighted average exercise price |
| | **'000** | **HK$** | '000 | HK$ |
| Outstanding at the beginning of the year | **17,800** | **0.53** | 18,000 | 0.53 |
| Granted during the year | **–** | **N/A** | – | N/A |
| Lapsed during the year | **(10,000)** | **0.53** | (200) | 0.53 |
| Outstanding at the end of the year | **7,800** | **0.53** | 17,800 | 0.53 |
| Exercisable at the end of the year | **7,800** | **0.53** | 17,800 | 0.53 |

No share option has been exercised during the year. The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 0.4 years and the exercise price is HK$0.53.

Options under the Scheme were granted on 26 August 2016. The estimated fair value of the options granted on that date is HK$3,316,000. The fair value was calculated using Binomial Option Pricing Model. The inputs into the model are as follows:

| **Grant date** | **26 August 2016** |
|---|---|
| Share price of the Company on grant date | HK$0.53 |
| Exercise price | HK$0.53 |
| Expected volatility | 53.8% |
| Contractual life | 3 years |
| Risk-free rate | 0.96% |
| Expected dividend yield | 0% |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years.

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **1 April 2018** HK$'000 | **Changes from financing cash flows** HK$'000 | **Interest on promissory note payable to CCI (note 11)** HK$'000 | **31 March 2019** HK$'000 |
|---|---|---|---|---|
| Promissory note | 105,734 | – | 1,887 | 107,621 |

## 33. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: Nil).

## 34. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Property, plant and equipment | | |
| — Contracted but not provide for | **639** | 1,168 |

## 35. LEASE COMMITMENTS

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Within one year | **6,797** | 6,219 |
| In the second to fifth years inclusive | **5,392** | 12,017 |
| | **12,189** | 18,236 |

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Leases are negotiated for a range from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

## 36. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

(a) Transactions with related parties

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Promotion and management service income from CCC | **22,097** | 31,420 |
| Interest on promissory note payable to CCI | **(1,887)** | (1,891) |
| Salaries and allowance paid to a close family member of an executive director | **(668)** | (617) |
| Service fee to CCC | | |
| — Web advertising expenses | **(5,164)** | (5,717) |
| — Customer service hotline rental | **(5,053)** | (4,378) |
| — CRC Shentong Card payment system management | **(9,089)** | (6,718) |
| — Server hosting service | **(15,712)** | (16,821) |
| Service fee to related companies | | |
| — Web advertising expenses | **(3,155)** | (2,681) |
| — Heilongjiang Operation and Management | **(589)** | – |
| — Office rental | **(1,202)** | (910) |
| — Rental of competition venue | **(281)** | (215) |
| — Web maintenance fee | **–** | (6,243) |

(b) A related party has provided course venue to the Group to use for nil consideration for the two years ended 31 March 2019.

(c) The remuneration of directors and other members of key management during the year was as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term benefits | **7,043** | 6,876 |
| Post-employment benefits | **—** | – |
| Other long-term benefits | **—** | – |
| Share-based payments | **—** | – |
| Termination benefits | **—** | – |
| | **7,043** | 6,876 |

## 37. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation. The new classification of the accounting items are considered to provide a more appropriate presentation of the state of affairs of the Group.