



Shentong Robot Education Group Company Limited 神通机器人教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8206)

2019/20 ANNUAL REPORT



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Chenguang (*Chairman*)
Mr. Bao Yueqing (*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*

AUDITORS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Hong Kong

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

	2020 HK\$'000	Year ended 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	128,841	177,415	141,482	91,507	34,684
(Loss)/profit before tax	(288,134)	85,425	45,065	11,507	(18,820)
Income tax credit/(expense)	55,101	(26,593)	(17,463)	(7,661)	(1,550)
(Loss)/profit for the year attributable to owners	(233,033)	58,832	27,602	3,846	(20,370)
Basic (loss)/earnings per share (HK cent(s))	(12.29)	3.10	1.51	0.24	(1.57)

CONSOLIDATED ASSETS AND LIABILITIES

	2020 HK\$'000	As at 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	368,374	704,849	667,302	538,808	40,741
Total liabilities	(330,618)	(405,148)	(393,125)	(447,382)	(116,573)
Net assets/(liabilities)	37,756	299,701	274,177	91,426	(75,832)
Net assets/(liabilities) per share (HK cent(s))	1.99	15.81	14.46	5.52	(5.86)

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 2020 (the "Year").

FINANCIAL PERFORMANCE

The Group's revenue was mainly attributable to the provision of Robotics Education and Others 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\$128,841,000 for the year ended 31 March 2020, representing a decrease of approximately 27.4% as compared to approximately HK\$177,415,000 for the year ended 31 March 2019.

For the year ended 31 March 2020, the Group recorded approximately HK\$233,033,000 in loss attributable to owners of the Company, as compared to profit of approximately HK\$58,832,000 for the year ended 31 March 2019. The Group's gross profit decreased by 33.5% year-on-year to approximately HK\$84,449,000 and gross profit margin decreased approximately 6.0 percentage points year-to-year to approximately 65.5%. Decline in business performance was primarily due to the interruption of business operation caused by the outbreak of COVID-19 and the impairment on certain property, plant and equipment, right-of-use assets, goodwill and intangible assets amounting approximately HK\$7,113,000, HK\$5,891,000, HK\$36,068,000 and HK\$286,758,000 respectively (the "Impairment Losses"). Adjusted profit before tax before the Impairment Losses was approximately HK\$47,696,000. The Impairment Losses is primarily non-cash and non-recurring in nature. The Board considers that the financial position of the company remains sound.

BUSINESS REVIEW

During the reporting period, the Group's revenue were mainly attributable to the provision of robotics training courses and others in Heilongjiang Province of the PRC and the provision of promotion and management services of electronic smart card "Shentong Card" in the PRC.

In early 2020, the global outbreak of the COVID-19 has certain impact on the Robotics Education and Others Business of the Group, mainly due to global travel restrictions and various precaution measures undertaken by respective local authorities which inter alia, include closure of campus and delays in school commencement during the outbreaks period. The mainland epidemic situation is gradually improving, we expect the precaution measures will be eased and the business operation will be resumed in the near future. The Group will continue to assess and closely monitor the possible impact of the risks and uncertainties related to the COVID-19 epidemic on the Group's business and financial performance.

The robotics education which combines technology, education and practice. 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.

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.

Chairman's Statement

Heilongjiang Province is one of the leading regions of China in the development of quality robot education. The Group is the sole organiser of China Robot Competition ("CRC") events in Heilongjiang Province with the approval of the GASC. The CRC Business in Heilongjiang is an important part of the Group's development strategy. During the year, the Group organised a diversified series of CRC events in order to tap the potential of the quality robot education market, which attracted kindergarten, primary school, secondary school and university level participants from across Heilongjiang Province.

By organising CRC events in Heilongjiang Province, the Group effectively promotes the development of quality robot education and makes it take root in the province and develop more related talent. We believe that various robot competitions will promote the popularisation and development of robot education by providing excellent opportunities for students and schools to explore robotic technologies.

Education and talent development are key to China's overall development in the future. Promoting China quality education is beneficial for improving the general literacy of the entire population and driving all-round development of students in terms of morality, intellectuality and physical fitness. During the year, the Group made active efforts to promote the school-based quality robot teaching business in China in coordination with the working committee of the NSSRL.

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. The above activities help to promote smart education into the campus, further strengthening the internationalisation and diversification of robotics education in the PRC. With the continuous development of robotics education projects, China's educational reform and the development of the robotics industry are expected to reach a new level. In addition to building a good platform for robotics education for young people in Heilongjiang Province, the Group will actively participate in planning the national development strategy of robotics education and strive to cultivate the robotics industry and robotics professionals.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders for their tremendous support and to my fellow Directors and our management and staff for their dedication and contribution in the past year.

He Chenguang

Chairman

Hong Kong, 19 June 2020

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK\$128,841,000 (2019: HK\$177,415,000) for the year ended 31 March 2020, representing a decrease of approximately 27.4% as compared with the year ended 31 March 2019 which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

The Group's gross profit for the year ended 31 March 2020 amounted to approximately HK\$84,449,000 as compared to approximately HK\$126,944,000 for the year ended 31 March 2019. The decrease was mainly attributable to the interruption of business operation caused by the outbreak of COVID-19.

Selling and distribution and administrative expenses for the year ended 31 March 2020 was approximately HK\$37,825,000 as compared to approximately HK\$44,101,000 for the year ended 31 March 2019.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group made a loss attributable to owners of approximately HK\$233,033,000 for the year ended 31 March 2020 as compared to profit of approximately HK\$58,832,000 for the year ended 31 March 2019. The deterioration was mainly due to the Impairment Losses. Adjusted profit before tax before the Impairment Losses was approximately HK\$47,696,000.

IMPAIRMENT LOSSES

In light of the declining economic growth in PRC, the global outbreak of the COVID-19 and the corresponding precaution measures, the business operation of the Group has been adversely interrupted. The demand for the Robotics Education and Others business and promotion and management services of "Shentong Card" business of the Group has substantially decreased and such decrease is expected to continue in the near future. The Group conducted assessments on the impairment loss for the property, plant and equipment, right-of-use assets, goodwill and intangible assets in order to reflect the recoverable amount of the relevant assets. In the impairment tests, COVID-19 outbreak and its impact on the present value of the estimated future cash flows has been considered. Impairment Losses has been recognized accordingly.

Adjusted profit before tax before the Impairment Losses was approximately HK\$47,696,000. The Impairment Losses is primarily non-cash and non-recurring in nature. The Board considers that the financial position of the Company remains sound.

Details of Impairment Losses is set out in note 18 to the consolidated financial statements.

SEGMENT INFORMATION

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had outstanding promissory note at principal amount of approximately HK\$94.4 million (as at 31 March 2019: approximately HK\$94.4 million) with carrying value of approximately HK\$109.5 million (as at 31 March 2019: approximately HK\$107.6 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 March 2020, the Group and China Communication Investment Limited (“CCI”), being the noteholder, agreed to extend the maturity date to 30 June 2021. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2020 (as at 31 March 2019: Nil).

As at 31 March 2020, the Group had net current assets of approximately HK\$84.1 million (as at 31 March 2019: approximately HK\$66.5 million). The Group’s current assets mainly consisted of cash and cash equivalents of approximately HK\$262.6 million (as at 31 March 2019: approximately HK\$221.4 million) and prepayments, deposits and other receivables of approximately HK\$18.4 million (as at 31 March 2019: approximately HK\$44.0 million). The Group’s current liabilities mainly include accruals and other payables of approximately HK\$117.3 million (as at 31 March 2019: approximately HK\$110.6 million), current tax liabilities of approximately HK\$35.7 million (as at 31 March 2019: approximately HK\$37.1 million) and contract liabilities of approximately HK\$39.6 million (as at 31 March 2019: approximately HK\$51.3 million).

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

GEARING RATIO

The gearing ratio is measured by total interest-bearing borrowings as a percentage of equity. As at 31 March 2020, the gearing ratio was 290.1% (as at 31 March 2019: 35.9%).

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 2020 and 31 March 2019.

EMPLOYEES, REMUNERATION POLICIES AND STAFF COSTS

As at 31 March 2020, the Group had 136 employees (2019: 199). The staff costs for the year ended 31 March 2020 was approximately HK\$22.0 million (2019: HK\$26.0 million). The Group’s remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

Management Discussion and Analysis

MATERIAL INVESTMENT OR CAPITAL ASSETS

For the years ended 31 March 2020 and 31 March 2019, the Group had no significant investment. As at 31 March 2020, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries during the 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 2020 and 31 March 2019.

CAPITAL COMMITMENTS

Details of capital commitment is set out in note 37 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 2020.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 59, 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 was the chairman of Energy Committee of The Chinese People's Association for Friendship with Foreign Countries and is currently 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 and was elected as a fellow of the Academy of Engineering and Technology of the Development World in 2019. 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 50, 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 in January 2014. 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 49 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 is 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, Redco Properties Group Limited and Zhongchang International Holdings Group Limited (all of which 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 and Star Glory Holdings Company Limited (a company listed on GEM), for the period from 8 November 2016 to 28 March 2018.

Biographical Details of Directors and Senior Management

Ms. Han Liqun, aged 67, 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 60, 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.

Biographical Details of Directors and Senior Management

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.

SENIOR MANAGEMENT

Mr. Yiu King Ming, aged 35, 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.

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 2020.

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 2 August 2019 (the "2019 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 2019 AGM due to his other business activities and unexpected engagement. Mr. Bao Yueqing (executive Director and Chief Executive Officer of the Company) was appointed as the chairman of the 2019 AGM to answer and address questions raised by shareholders of the Company at the 2019 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 2020, 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 2020. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

Corporate Governance Report

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 2020 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, *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 2020 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	10/10	N/A	N/A	N/A	1/1
Mr. Bao Yueqing	10/10	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Yip Tai Him	10/10	0/0	5/5	1/1	1/1
Ms. Han Liqun	10/10	0/0	5/5	1/1	1/1
Ms. Zhang Li	10/10	0/0	5/5	1/1	1/1

Corporate Governance Report

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.

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.

Corporate Governance Report

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 position of the Chief Executive Officers is held by Mr. Bao Yueqing. 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 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.

Corporate Governance Report

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. He Chenguang and Ms. Zhang Li will retire at the forthcoming annual general meeting and the re-election of Mr. He Chenguang as executive Director and Ms. Zhang Li 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.

Corporate Governance Report

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 2020, 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	
	2020	2019
	HK\$	HK\$
Statutory audit services	700,000	680,000
Non-audit services	595,000	593,000
	1,295,000	1,273,000

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.

Corporate Governance Report

For the year ended 31 March 2020, 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 2019;
- Quarterly reports for the first quarter and third quarter of 2019/20;
- Interim report for the first six months of 2019/20; and
- Review of continuing connected transactions of the Group.

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 51 to 54 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.

Corporate Governance Report

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 2020. 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 Chief Executive Officer of the Company) had attended the annual general meeting held on 2 August 2019 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 directors (the “Board”) of Shentong Robot Education Group Company Limited (the “Company”) is pleased to announce the Environmental, Social and Governance Report (the “Report”) of the Company and its subsidiaries (collectively referred to as the “Group” or “we” or “us”). This Report summarises the environmental, social and governance policies, sustainable development strategies, management practices, measures and performance adopted by the Group.

This Report covers promotion and management of the Group’s electronic smart card “CRC” Shentong Card (“Shentong Card”) and the sustainability strategies, policies and performances in the environment and social aspects of the business in the provision of robotics training courses during the reporting period for the year ended 31 March 2020; and makes disclosures pursuant to the “comply or explain” provisions of the “Environmental, Social and Governance Reporting Guide” set out in Appendix 20 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The relevant provisions and contents 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 both parties, so as to choose those comparatively important environmental and social issues for disclosure in this Report.

II. STAKEHOLDERS’ ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business as well as supporting environmental protection and the communities in which it operates. We maintain close contact with our stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers, communities, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of our sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management and internal control systems are operated properly and effectively.

Stakeholders	Expectation and concern	Management’s response
Government/regulatory organisations	➢ Compliance with laws and regulations	➢ Uphold integrity and compliance obligation in operations
	➢ Fulfillment of tax obligation	➢ Pay tax on time to contribute to the society
	➢ Green operation	➢ Establish a comprehensive and effective internal control system

Environmental, Social and Governance Report

Stakeholders	Expectation and concern	Management's response
Shareholders/investors	➤ Investment returns	➤ 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 system	➤ Strive to improve internal control and risk management
Employees	➤ Labour rights	➤ Set up contractual obligations to protect labour rights
	➤ Career development	➤ Encourage employees to participate in continuous education and professional trainings to enhance their capabilities
	➤ Compensation and welfare	➤ Establish a fair, reasonable and competitive remuneration scheme
	➤ Occupational health and safety	➤ Focus on occupational health and safety
	➤ Act together against the epidemic	➤ Provide epidemic prevention supplies and arrange shift duties reasonably
Customers	➤ High quality services	➤ Continuously provide high quality services for customers' 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	➤ Maintain sound and long-term cooperation relationship
		➤ Select suppliers with due care
Communities	➤ Environmental protection	➤ Be concerned about climate change
	➤ Effective use of resources	➤ Enhance management on energy conservation and emissions reduction
	➤ Reduction of greenhouse gas emissions	➤ Encourage employees to actively participate in charitable activities and voluntary services
	➤ Community participation	➤ Maintain good financial performance and business growth
	➤ Economic development	
	➤ Act together against the epidemic	

Environmental, Social and Governance Report

III. MATERIALITY MATRIX

During the reporting period, the Group has identified a number of environmental, social and operating-related issues, and assessed their importance to stakeholders and the Group through various channels. These assessments help the Group to ensure that its business development is 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	High	<ul style="list-style-type: none"> ◆ Anti-discrimination ◆ Protection of human rights 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Customers' satisfaction ➤ Anti-epidemic ➤ Service quality ➤ Anti-corruption ◆ Anti-epidemic ◇ Anti-epidemic
	Medium	<ul style="list-style-type: none"> ➤ Community participation 	<ul style="list-style-type: none"> ◇ Greenhouse gas emissions ◇ Use of energy ◆ Occupational health and safety 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Protection of customers' privacy ➤ Management of suppliers
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labour ◇ Exhaust gas emission ◇ Sewage discharge ◇ Discharge of non-hazardous wastes 	<ul style="list-style-type: none"> ◇ Water resources utilisation 	
		Low	Medium	High

Importance to the Group

◇ Environment

◆ Employee

➤ Operation

Environmental, Social and Governance Report

IV. ENVIRONMENTAL PROTECTION

The Group's Shentong Card has the functions of online payment and intelligent management platform, which provides an important platform for the promotion of paperless lifestyle in the PRC and alleviates the increasingly serious environmental pollution and natural resources 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 exhaust gas and greenhouse gas emissions reduction, energy use efficiency, water conservation, hazardous and non-hazardous waste management. We develop corresponding indicators while managing natural resources and minimising the potential environmental impact caused by our operations through various measures .

1. Emissions Management

The Group is aware of the fact that reducing energy consumption is closely related to the reduction of exhaust gas and greenhouse gas emissions. Therefore, we reduce energy consumption, improve energy efficiency and reduce environmental impact caused by personal life and operation activities by undertaking various energy saving measures (please refer to the section headed "Resources Utilisation Management" below for details).The Group primarily engages in promotion and management of the Shentong Card and provision of robotics training courses. Workplaces are mainly offices and training venues. No industrial sewage and exhaust gas is emitted during operations. Domestic sewage generated by the Group is discharged to local sewage treatment plants through sewage pipes. Solid waste management mainly involves collection and recycling of waste paper (please refer to the section headed "Resources Utilisation Management" below for details). We neither generated any hazardous wastes nor used any packaging materials.

2. Resources Utilisation Management

In view of intensifying climate change, environmental protection and energy conservation is gaining more attention in the market. Accordingly, the Group incorporates environmental factors into continuous development strategies, actively responds to the change of environment policies of the government and manages use of resources seriously to ensure efficient and prudent usage of all the resources and continuously pays attention to, identifies and reduces negative impacts on the environment caused by its business operations. We hope that every employee understands the importance of resources conservation and require them to comply with the measures formulated by us to fully utilise resources, achieve its optimal use and eliminate wastage.

Energy Conservation

The Group is committed to the establishment of an operation environment with "low carbon and low consumption" and formulating relevant energy conservation and emissions reduction plans and measures regarding the use of various resources.

Environmental, Social and Governance Report

The Group's electricity is mainly used in offices, staff quarters and canteens. We formulate a series of measures to save electricity and improve the power efficiency of electrical appliances and encourage employees to change their habits of using electrical appliances. For example, they are encouraged to choose energy-efficient electrical equipment; lights must be turned off when there is sufficient daylight required for work; idle office equipment such as computers, photocopiers, printers, air conditioners, etc. should be switched off during non-office hours such as evenings and weekends; air conditioners should be used within a restricted period of time determined according to seasonal and temperature changes and should be turned off after work; doors and windows must remain closed when air conditioners are turned on in order to minimise energy consumption. Since the number of staff is reduced due to shrinkage in business and the number of staff at work is further reduced as companies in the mainland China have implemented work suspension and staggered working hours due to the outbreak of COVID-19 epidemic at the beginning of 2020, the use of electrical equipment is reduced. Hence, during the reporting period, the Group's total electricity consumption was approximately 106.20 megawatt hours, representing a decrease of approximately 19.32 megawatt hours or 15.39% from last year.

Gasoline is mainly used in automobiles. The Group encourages employees to take public transport as much as possible and not to use motor vehicles very often to reduce emissions of exhaust gas and greenhouse gas. In addition, energy use efficiency is improved by regular repair and maintenance of vehicles, thus fuel and exhaust gas consumption due to parts failure is reduced. Since January 2019, the Group subcontracts robotics competitions to external companies and sends employees to competition venues less often. Hence, during the reporting period, the Group consumed approximately 15,974 litres of gasoline, representing a decrease of approximately 5,711 litres or 26.34% from last year.

Natural gas is mainly used in canteens for cooking and heating. We regularly inspect natural gas transmission pipelines as well as cooking and heating equipment to avoid unnecessary wastage caused by leakage and equipment damage. Meanwhile, the leakage of natural gas also poses safety problems. The number of staff dining in canteens is significantly reduced as a result of shrinkage in business and the implementation of work suspension and staggered working hours due to the COVID-19 epidemic. Hence, during the reporting period, the amount of natural gas consumed by the Group was approximately 2,519 cubic metres, representing a decrease of approximately 4,307.02 cubic metres or 63.10% from last year.

Water Conservation

The Group's water consumption is mainly from drinking water in barrels and toilet water. Drinking water in barrels is purchased; and toilet water is provided and managed by the property management company. During the reporting period, although we did not encounter any problems in obtaining applicable water sources, we still bear the responsibility of environmental protection and sustainable development, try our best to enhance utilisation rate of water resources and reduce the pressure on the environment. We begin with educating employees on daily water consumption habits. We focus on improving employees' awareness on water consumption 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, controlling water flow from tap at low level and shutting down after use. During the reporting period, the Group's total water consumption was 1,713.87 tonnes, representing a decrease of approximately 2,082.96 tonnes or 54.86% from last year. This is primarily due to reduction in water consumption caused by decrease in the number of staff at work as a result of shrinkage in business and the implementation of work suspension and staggered working hours due to the COVID-19 epidemic. In addition, the office of the company in Heilongjiang underwent interior renovation during the year, and therefore staff worked in offices of other companies. The relevant water consumption data is not disclosed in the Report as the data is not available, resulting in a further decrease in the water consumption of the Group.

Environmental, Social and Governance Report

Paper Conservation

The Group advocates “paperless” office policy and encourages employees to save paper and avoid wastage. Paper is all purchased from supply chains. We distribute information and documents in electronic file format as much as possible to reduce photocopying and printing; fully utilise and reuse single-sided printed papers and collect double-sided printed paper, paper boxes and paper wrappers for recyclers’ handling. The Group also supports printing annual reports with environmentally-friendly papers to reduce cutting down trees, deforestation and environmental impacts. There is shrinkage in business and the company in Beijing reduces advertising and promotion works with the use of paper-based questionnaires. Also, the number of staff at work is reduced by the implementation of work suspension and staggered working hours due to the COVID-19 epidemic. Hence, during the reporting period, total paper consumption of the Group’s business was approximately 0.26 tonnes, representing a decrease of approximately 0.09 tonnes or 25.71% from last year.

3. Environment and Natural Resources

The Group is committed to caring for and preserving the natural environment, hoping that each individual can jointly build a better and more livable environment. In order to provide clearer guidelines on various aspects of the Group and reduce the negative impacts on the environment caused by resources utilisation habits and operations, the Group continues to reduce carbon footprints through various policies, measures and actions (please refer to the sections headed “Emissions Management” and “Resources Utilisation Management” above for details). The Group also hopes that all employees can take actions and convey the message of environmental protection to their families, friends, business partners etc., so as to gather more strength and work together to reduce the impact on climate change as a result of manmade factors.

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 has always been considering its staff as the most valuable asset and upholding the principle of “possession of both morality and talent and being morality-oriented” to strive for an anti-discrimination, equal, harmonious and safe working environment and establish a comprehensive management mechanism. Human resources policies are based on long-term development benefit of the Group. We establish an equal competition system internally, regulate the promotion process of employees and organise regular training activities to provide a room for staff development. The Group has set up a complaint handling system for employees to raise opinions or file complaints to the management. This shows that the Group values staff opinions and hopes to improve human resources policies. Besides, the Group cares about employees’ work, life as well as physical and mental health. We organise regular cultural, arts and leisure activities and training courses to enrich employees’ lives and enhance their skills and team cohesiveness. We also encourage employees to maintain harmonious interpersonal relationships, advocate the power of team cooperation, promote the team spirit of the Group in many years as well as collective strength to face difficulties and embrace challenges. The Group adjusts and formulates appropriate local policies according to different local labour regulations.

Environmental, Social and Governance Report

Talent Selection

The Group advocates equal opportunity and respects personal privacy, and it has established relevant policies. The Group adopts morality, knowledge, abilities and job requirements as employment standards and adheres to the principle of “open, fair, equal, competition, survival of the fittest” and “valuing capability instead of giving sole consideration to academic qualifications and valuing morality and talent instead of giving sole consideration to diplomas” to provide equal employment opportunities to candidates of different races, genders, ages, regions and religious affiliations. These policies apply 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 applicable laws and regulations, we strictly prohibit child labour or forced labour, including not to force employees to work by means of debt repayment and contractual restrictions. We neither employ prison labour or slave labour nor take part in human trafficking. We prevent any employment of unlawful labour by conducting background checks and checking candidates' identification documents in our hiring process. Employees' working hours have to comply with local relevant labour laws and regulations. Employees' consent and voluntary cooperation are required in respect of any necessary overtime arrangement, and employees are compensated in accordance with laws and regulations to avoid forced overtime work. During the reporting period, the Group complied with labour laws and regulations and did not hire any child labour under the legal working age or forced labour.

Compensation and Welfare

The Group regularly assesses remuneration levels for its employees at each level and collects remuneration data in the external industry labour market to strive for the establishment of a fair, reasonable and competitive remuneration scheme. Employee remuneration is determined in accordance with factors including knowledge, skills, experience and education level as required in each position. Employee compensation varies from offices in different regions and basically covers fixed salary, working meal allowance and paid leaves, among others. Other welfares include staff quarters, welfare products for the Spring Festival and Mid-Autumn Festival, etc.

The Group conducts performance appraisal for its employees on a periodic basis under the principles of fairness, openness and transparency and in accordance with internal rules, regulations and systems, job responsibilities and goals of employees. Performance appraisal includes probationary appraisal for new employees, job transfer evaluation and promotion appraisal for personnel during the inspection period, internship assessment for fresh graduates and annual appraisal for employees. The Group assesses rewards, allowances, bonuses, salaries increment and/or promotion recommendations given to its employees based on a number of criteria (such as working experience, seniority, knowledge and skills, performance, contribution, etc.). During the performance appraisal process, the department head communicates and discusses with his/her subordinate employees to set their career goals and development plans in the coming year, and arranges appropriate training activities to stimulate the potential of employees.

In addition, the Group provides social insurance benefits for all of its employees in accordance with the local labour laws as well as the laws and regulations in relation to social security. The Group pays various social insurance premiums (including pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident funds for its employees who engage in businesses in the mainland China, and contributes to the MPF scheme for its employees in Hong Kong. We will handle the dismissal of employees and compensate them in accordance with the local laws and regulations.

Environmental, Social and Governance Report

The Group pays close attention to the health of its employees, encourages them to maintain work-life balance, and establishes their working hours and protects their rights of rest days and holidays in accordance with the local labour laws. All of its employees are entitled to rest days and statutory holidays. Besides, the Group cares about both the physical and mental health of its employees and organises a number of leisure activities to enrich the lives of its employees after work and enhance its team cohesion.

Despite the outbreak of COVID-19 in early 2020, the Group does not reduce the compensation of, or lay off, its employees due to the serious epidemic situation. For the sake of the health and life safety of its employees and in coordination with the governmental policies on epidemic prevention and anti-epidemic, the Group has adopted a number of epidemic prevention measures, such as providing disinfection and protective supplies to its employees and conducting body temperature checks three times a day for each of them, implementing the staggered working hours initiative, requiring to keep at least two-metre distance between office seats, requiring its employees to wear a mask at work, reminding them to maintain social distancing with any persons and reducing the number of employees in dormitory rooms.

Development and Training

The Group believes that cultivating a high-quality, professional, well-trained and responsible corporate team plays an important role in enhancing its core competitiveness and supporting its sustainable and long-term business growth. Therefore, the Group has proactively formulated long-term talent development strategies, which provide various forms of trainings to improve its employees' business skills and comprehensive management capabilities, and encourage them to pursue their continuing education and lifelong learning.

Employee training can be divided into induction training and on-the-job training (including general employee training and management personnel training) for new recruits. Those new recruits are required to receive pre-job training with contents including corporate culture, management systems, job requirements and appraisal. We also provide suitable and relevant job training for working and teaching staff in special and key positions to ensure that they have the necessary knowledge, competence and qualifications. On-the-job training which covers updates on policies and regulations, business and industry knowledge, product knowledge, specialised techniques and comprehensive management knowledge may be held in the form of a seminar. Continuous training not only helps to improve employees' professional knowledge and job skills, but also reasonably guarantee our customers that the relevant employees are sufficiently equipped with technical knowledge and professional skills needed to provide those customers with high-quality services.

During the reporting period, in addition to pre-job training for new recruits, enterprises in the mainland China organised a number of training activities related to business, human resources, finance, taxation as well as occupational health and safety, such as training for international exchange business, basic functions, application and operation of Shentong Card, employee code of conduct, personnel management system, financial system, non-compliant invoices and private payment collection records, personal income tax, guidelines on preferential tax policies for the prevention and control of COVID-19 epidemic, etc. The external training attended by directors and management personnel of Hong Kong companies is conducted in the form of a lecture, such as framework and case analysis of market misconduct, suggestions for the establishment of the New Board, listing and spin-off listing requirements and procedures in Hong Kong, the way how listed companies act when domestic plots are suddenly expropriated, acquired or recovered, etc.

Environmental, Social and Governance Report

Health and Safety

The Group always puts the health of its employees and safe working environment as priority. Hence, the Group has formulated the “Administrative Measures on Office Safety” and has taken comprehensive prevention measures in aspects such as life safety, driving safety, fire protection, environmental sanitation and electricity use to prevent the illness and injuries of its employees. To thoroughly implement the national occupational safety standards, laws and regulations as well as relevant requirements, the Group conducts safety publicity and education for its employees, improves its office conditions and strengthens its safety management. The Group pays special attention to fire safety management and arranges its employees to participate in fire drills organised by the property management company several times a year, so that they are able to understand their responsibilities of maintaining the fire safety of the Company, protecting fire protection facilities as well as preventing and reporting fire disasters, which in turn can effectively help them to take a wise and immediate action in the event of a fire in the office. In addition, the Group not only has strict requirements on the environment of its robot sports training centre and provides safe training venues for its trainees, but it also offers safety training for its instructors to ensure the health and safety of both instructors and trainees. During the outbreak of COVID-19 pneumonia in early 2020, the Group adopted a variety of epidemic prevention measures for the sake of its employees’ health and life safety. For details, please refer to the section headed “Compensation and Welfare” above. During the reporting period, the Group organised trainings related to administrative measures on office safety, precautions on the prevention and control of COVID-19 pneumonia epidemic and other aspects to enhance the safety awareness of its employees in the working environment and prevent the infection and spread of COVID-19.

Compliance

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

VI. OPERATING PRACTICES

Supply Chain Management

The Group has told its suppliers and business partners about the measures it has taken on environmental protection and its expectations, hoping that everyone can cooperate with the Group in fulfilling its social responsibilities to the society. The Group wishes to establish a long-term and stable strategic partnership with competent suppliers and develop businesses together with them on an equal and win-win basis. Therefore, the Group has formulated a rigorous supplier management system and review process to provide a clear guideline on primary selection, alternative selection and re-appointment of suppliers. In selecting new suppliers, the Group will take several factors in consideration, including their corporate background, delivery capabilities, technical level, back-up services, as well as product quality and price. In order to build an efficient green supply chain with each other, the Group has maintained a long-term strategic and cooperative partnership with certain groups that have a reputable credit history, favorable goodwill, high service quality, excellent environmental compliance records and commitment to social responsibilities. The Group reviews the performance of product or service suppliers on an irregular basis to control and ensure the quality of the Group’s products and services in an effective manner.

Environmental, Social and Governance Report

Product/Service Responsibility

The CRC business of the Group holds national robot sports events and related training courses in Heilongjiang Province. The Group has strict requirements on its instructors' expertise and conduct as well as the environment of its training centre, with an objective of providing its trainees with safe training venue and high-quality technical training. Since the technology is ever-changing, the Group requires its instructors to keep updating their technological knowledge and expertise to maintain a high level of service quality.

Shentong Card is developed by the Group's parent company and the Group is responsible for its promotion and management. The R&D work is done by a professional technical team to ensure the quality of Shentong Card. The R&D team also receives continuous training to meet the increasing technological level and customers' needs. Since the Group attaches great importance to the opinions and complaints of its customers, there is an after-sales service mechanism in place, under which a rigorous customer complaint and handling process is established to ensure that the quality and technical problems of Shentong Card can be processed for the customers and give them support quickly. The Group also hopes to use this mechanism to analyse the causes of customer complaints and propose feasible corrective and preventive measures.

Confidentiality is one of the Group's core values. As the Shentong Card system stores a lot of customer personal data, in order to comply with the related requirements of the Regulation on Telecommunications of the People's Republic of China, the Telecommunication Services Rules and the Confidentiality Law of the People's Republic of China and to protect the basic rights and interests of its customers, the Group must carefully maintain the safety of its customer data and enhance the confidentiality of their personal privacy to prevent any leakage of their personal data. No employee shall disclose customer personal data to any third party without customers' consent and punishment by the Company will be required for any violation. In addition, the Group has formulated an information security management system and set up firewalls for an information system to ensure the safety of its customer data.

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

Anti-corruption

The Group firmly believes that fairness, honesty and integrity are the important core values of its long-term development. In order to comply with the requirements of the laws and regulations and to protect the interests of stakeholders, the Group strengthens the enterprise internal control system and formulates the "Employee Daily Behaviour Standards" and the "Employee Professional Code of Ethics" to regulate employee misconduct. Employees must be honest and trustworthy. They should establish a business philosophy with abidance by law, integrity and quality services as their cores to strengthen the system and bring the discipline inspection and supervision work in the business process by combining with the practical circumstances of the Group, ensuring that whistleblowers can report directly or in writing to the management on confidential basis regarding suspected cases of obtaining personal interests by taking advantage of one's position, bribes, extortion, frauds, money laundering which are in breach of policies, regulations or laws. The Group shall keep on improving its whistle-blowing system and be determinant in combating corruption and contributing to build a clean society. During the reporting period, there was no legal action against the Group or its employees for corruption.

Environmental, Social and Governance Report

VII. COMMUNITY INVESTMENT

To align with national education development policies, the Group is committed to providing various robotics education courses to promote the development of robotics education business more effectively. We organise various robotics trainings, seminars and experiential courses. Various training courses and competitions allow participants to gain and master new technological knowledge within a diverse learning structure and encourage them to unleash their unlimited creativity and enhance their imagination. People's cooperation and communication skills and cohesion are enhanced by our fun fairs and live interactions in competitions; together with online media promotion, the effectiveness of promoting robotics education can also be enhanced. Therefore, more parents understand and value robotics education, which sets off a wave of learning robotics education and at the same time enables robotic sports to become more prevalent.

China is 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. Therefore, the Group actively facilitates the "Healthy China 2030" national planning outline to implement the development concepts of innovation, coordination, green, openness and sharing, and adopt the principle of health priority, reform and innovation, scientific development, fairness and justice. We continuously organise various robotics education courses to enhance national people's health and to bring innovational creativity and stimulation to the education system. We also believe that robotics education will certainly become a major project for the future education development of our country. Robotics education can change the previous traditional method of teaching with books to raise participants' interest in learning in a more interesting and specific way and instill new technology and new knowledge in them more effectively. The robotics education that we promote emphasises use of hands and the brain. It is hoped that people can exercise more and their body condition and health can be enhanced through robotics education with sports elements. Through organising competitions, we awaken and improve people's capabilities in creation, technological innovation and quality educational innovation and help the country to develop a large amount of excellent and high-quality professionals. The sports industry in 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.

The Group has always been concerned about environment and climate change of China. The intensifying global warming phenomenon brings a certain level of risks to the operation of the Group. The Shentong Card that we promote not only applies to terminals of various networks (including the internet, telecommunications networks, television networks and financial networks), but is also the only integrated education billing smart card in China used for the right of hosting CRC competitions and payment and smart management of relevant CRC training. We hope to establish an environmentally-friendly platform for paperless lifestyle by promoting the Shentong Card business to reduce paper use and energy consumption, reduce deforestation and alleviate the greenhouse effect and the global warming.

The Group emphasises community participation and advocates responsibility towards ourselves, families, enterprises and the society. Responsibility begins with everything around us. The Group believes that corporate development is not only dependent on advanced technology and excellent staff, but is also dependent on close interaction and development with each stakeholder. Regarding the COVID-19 outbreak in the beginning of 2020, in view of the supply shortage of epidemic prevention suppliers in China and to align with the anti-epidemic policies of the government, the Group donated masks, disinfectant, pressurised sprinkler, disposable raincoats, shoe covers, gloves etc. to help some of the primary and secondary schools in Heilongjiang fight against the epidemic.

The Group is a responsible enterprise and taxpayer, and spares no effort in easing local employment pressure. We assist our employees in planning their retirement life. We have maintained good operation environment, actively promoted the green concept of environmental protection and achieved good development order, and to a certain extent, we have contributed to maintaining social stability and building a harmonious community.

Environmental, Social and Governance Report

VIII. FUTURE VISION

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

The Group will endeavour to comply with the increasingly stringent environmental protection laws and regulations, and actively promote and participate in various environmental protection activities. In order to provide safe and good working environment, we will also put employees' satisfaction and work safety as our top priority. Through ensuring a competitive remuneration system, we aim to attract more outstanding talents in the technical and management arenas. For customer service, the Group collects customer opinions and feedbacks from various aspects and will continue to put resources to enhance service quality of its employees and provide higher level of customer service. Meanwhile, the Group will stick to its original intention of 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 and long-term value for the company and our stakeholders through implementing sustainability strategies.

Environmental, Social and Governance Report

IX. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2019/20	(Restated) ⁴ 2018/19
Greenhouse gas emissions			
Scope 1 ¹ :			
Total	Tonnes	47.86	49.62
Intensity ³	Tonnes	0.68	0.58
Scope 2 ² :			
Total	Tonnes	107.19	140.50
Intensity ³	Tonnes	1.26	1.65
Total air emissions			
Nitrogen oxides	Kilograms	90.07	138.72
Sulfur oxides	Kilograms	0.23	0.32
Particles	Kilograms	6.76	10.38
Energy and water consumption			
Electricity:			
Total	Megawatt hours	106.20	125.52
Intensity ³	Megawatt hours	1.52	1.47
Natural gas:			
Total	Cubic metres	2,519.00	6,826.02
Intensity ³	Cubic metres	35.94	80.31
Gasoline:			
Total	Thousand litres	15.97	21.69
Intensity ³	Thousand litres	0.23	0.25
Water:			
Total	Tonnes	1,713.87	3,796.83
Intensity ³	Tonnes	24.45	44.50

Notes:

- 1 Scope 1 refers to greenhouse gas emissions directly generated by the Group's business, including combustion of natural gas and gasoline.
- 2 Scope 2 refers to greenhouse gas emissions from "indirect energy" caused by the internal consumption of purchased electricity by the Group's business.
- 3 Intensity is based on each employee.
- 4 Some figures in last year are restated for comparison.

Environmental, Social and Governance Report

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: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	23
KPI A1.1	The types of emissions and respective emissions data.	23, 32
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	32
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).	N/A ¹
KPI A1.5	Description of measures to mitigate emissions and results achieved.	23
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	23
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	23–25
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).	23, 32
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	24, 32
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	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.	24
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	
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	24–25
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	24–25

Environmental, Social and Governance Report

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
B. Social¹		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	25–26
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	28
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	27
Aspect B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	26
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	28
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	29
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	29

Environmental, Social and Governance Report

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.	30

Notes:

- 1 The Group’s main business is promotion, sales and management of Shentong Card, 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 Listing Rules, the KPIs under “Area B. Social” are recommended disclosures only. Therefore, the Group chose not to disclose those KPIs.

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 2020.

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 23 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 20 to 35 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 2020 are set out in the consolidated statement of profit or loss on page 55 of this report.

The state of affairs of the Group and the Company at 31 March 2020 are set out in the consolidated statement of financial position and statement of financial position on pages 57 to 58 of this report and note 32(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 2020 (2019: 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 59 and note 32(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 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2020 are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to approximately HK\$3,106,000. The share premium account of the Company of approximately HK\$1,354,838,000 as at 31 March 2020 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 2020 (2019: 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.

Directors' Report

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 2020.

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.

Directors' Report

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, nil option share was outstanding under the 2013 Share Option Scheme.

(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 appropriate, 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.

Directors' Report

(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.

Directors' Report

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 31 March 2020 were as follows:

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\$	Number of share options					
					As at 31 March 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 March 2020
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	800,000	-	-	(800,000)	-	-
Total					7,800,000	-	-	(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 34 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. He Chenguang and Ms. Zhang Li 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. With effect from 1 April 2020, Mr. He Chenguang and Mr. Bao Yueqing's remuneration were revised to HK\$150,000 and HK\$105,000 per month respectively. With effect from 14 May 2020, Mr. Yip Tai Him commenced to be the independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859).

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' Report

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 2020 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 2020 or any time during the year ended 31 March 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at 31 March 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held			Approximate percentage of issued share capital
	Personal interests	Corporate interests	Total	
Bao Yueqing	2,844,000	–	2,844,000	0.15%

Directors' Report

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 2020.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Directors' Report

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.

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:

	2020
Purchases	
— the largest supplier	50%
— five largest suppliers	68%
Sales	
— the largest customer	7%
— five largest customers	7%

Save as disclosed in note 39 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.

Directors' Report

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.

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 2020 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;

English name is for identification purpose only

Directors' Report

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;
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;

Directors' Report

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 2020, 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.

Directors' Report

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2020, save as the continuing connected transactions mentioned on pages 46 to 48 and related party transactions disclosed in note 39 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 40 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 6 to 8.

CORPORATE GOVERNANCE REPORT

A corporate governance report is shown on pages 12 to 19.

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 2020 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.

The consolidated financial statements have been audited by RSM Hong Kong who retired 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 2020.

By Order of the Board

He Chenguang

Chairman

Hong Kong, 19 June 2020

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 55 to 124, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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, tangible 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 of "Robotics Education and Others Cash-Generating Unit" ("CGU")	Our procedures in relation to management's impairment assessment included:
Refer to note 18 of the consolidated financial statements and accounting policies 4(b), 4(e) and 4(u).	— Evaluating the independent external valuer's competence, capabilities and objectivity;
Robotics Education and Others CGU with goodwill, intangible assets, right-of-use assets and property, plant and equipment allocated thereon is tested for impairment at least annually or whenever there is an impairment indicator.	— Assessing the integrity of the value in use model;
Due to the outbreak of COVID-19 and its enduring effect on the economy, management has revised its cash flow forecasts of the Robotics Education and Others CGU, and significant amount of impairments were recognised in goodwill, intangible assets, rights-of-use assets and property, plant and equipment for the reporting period.	— Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry;
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.	— Reconciling input data to supporting evidence, including approved budgets and considering the historical accuracy of these budgets; and
	— 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 HKSAAs 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 HKSAAs, 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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

19 June 2020

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	7	128,841	177,415
Cost of service		(44,392)	(50,471)
Gross profit		84,449	126,944
Investment and other income	8	756	2,654
Other gains and losses, net	9	(332,120)	1,888
Impairment allowance on expected credit losses		(700)	(73)
Selling and distribution expenses		(11,838)	(15,737)
Administrative expenses		(25,987)	(28,364)
(Loss)/profit from operations		(285,440)	87,312
Finance costs	11	(2,694)	(1,887)
(Loss)/profit before tax		(288,134)	85,425
Income tax credit/(expense)	12	55,101	(26,593)
(Loss)/profit for the year attributable to owners of the Company	13	(233,033)	58,832
		HK cent	HK cent
(Loss)/earnings per share			
Basic (cents per share)	17(a)	(12.29)	3.10
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 2020

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year	(233,033)	58,832
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(28,912)	(33,185)
Total comprehensive income for the year attributable to owners of the Company	(261,945)	25,647

Consolidated Statement of Financial Position

AT 31 MARCH 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	2,060	16,115
Right-of-use assets	20	4,349	–
Goodwill	21	–	37,537
Intangible assets	22	80,969	385,745
Total non-current assets		87,378	439,397
Current assets			
Prepayments, deposits and other receivables	24	18,397	44,030
Bank and cash balances	25	262,599	221,422
Total current assets		280,996	265,452
TOTAL ASSETS		368,374	704,849
EQUITY AND LIABILITIES			
Share capital	31	18,957	18,957
Reserves	33	18,799	280,744
Total equity		37,756	299,701
LIABILITIES			
Non-current liabilities			
Lease liabilities	29	2,407	–
Promissory note	28	109,515	107,621
Deferred tax liabilities	30	21,844	98,537
Total non-current liabilities		133,766	206,158

Consolidated Statement of Financial Position

AT 31 MARCH 2020

	Note	2020 HK\$'000	2019 HK\$'000
Current liabilities			
Contract liabilities	27	39,574	51,252
Receipt in advance		12	12
Accruals and other payables	26	117,308	110,647
Lease liabilities	29	4,308	–
Current tax liabilities		35,650	37,079
Total current liabilities		196,852	198,990
TOTAL EQUITY AND LIABILITIES		368,374	704,849

Approved by the Board of Directors on 19 June 2020 and are signed on its behalf by:

He Chenguang
Director

Bao Yueqing
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020

	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 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	-	-	-	-	-	-	(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 34)	-	-	-	-	-	(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
At 1 April 2019	18,957	1,354,838	8,320	(5,596)	625	1,483	(1,078,926)	299,701
Share-based payments — lapsed share options (note 34)	-	-	-	-	-	(1,483)	1,483	-
Total comprehensive income for the year	-	-	-	(28,912)	-	-	(233,033)	(261,945)
Changes in equity for the year	-	-	-	(28,912)	-	(1,483)	(231,550)	(261,945)
At 31 March 2020	18,957	1,354,838	8,320	(34,508)	625	-	(1,310,476)	37,756

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(288,134)	85,425
Adjustments for:		
Amortisation of intangible assets (note 22)	705	735
Depreciation of property, plant and equipment (note 19)	8,330	7,055
Depreciation of right-of-use assets (note 20)	5,751	–
Finance costs (note 11)	2,694	1,887
Gain on disposal of property, plant and equipment (note 9)	(114)	(206)
Gain on modification of leases (note 9)	(1,442)	–
Impairment allowance on expected credit losses	700	73
Impairment of property, plant and equipment (note 18)	7,113	–
Impairment of right-of-use assets (note 18)	5,891	–
Impairment of goodwill (note 18)	36,068	–
Impairment of intangible assets (note 18)	286,758	–
Interest income (note 8)	(734)	(478)
Written off of property, plant and equipment (note 9)	186	43
Operating profit before working capital changes	63,772	94,534
Decrease in prepayments, deposits and other receivables	23,968	8,838
Increase in accruals and other payables	6,661	735
(Decrease)/increase in contract liabilities	(8,590)	14,999
Cash generated from operations	85,811	119,106
Interest on lease liabilities	(800)	–
Income tax paid, net	(16,606)	(20,905)
Net cash generated from operating activities	68,405	98,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	114	340
Purchases of property, plant and equipment (note 19)	(2,257)	(10,401)
Interest received (note 8)	734	478
Payments of right-of-use assets (note 20)	(785)	–
Net cash used in investing activities	(2,194)	(9,583)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal elements of lease liabilities	(5,376)	–
Interest free loans from a substantial shareholder of the Company, China Communication Investment Limited (“CCI”)	3,700	–
Repayment of CCI interest free loans	(3,700)	–
Net cash used in financing activities	(5,376)	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,835	88,618
Effect of foreign exchange rate changes	(19,658)	(13,662)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	221,422	146,589
Less: Impairment allowance on expected credit losses on 1 April	–	(123)
CASH AND CASH EQUIVALENTS AT END OF YEAR	262,599	221,422
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	262,599	221,422

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309 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 23 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

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

HKFRS 16 Leases (Continued)

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.66%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

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

HKFRS 16 Leases (Continued)

(b) *Lessee accounting and transitional impact* (Continued)

The following table reconciles the operating lease commitments as disclosed in note 35 to the consolidated financial statement as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	12,189
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(186)
	12,003
Add: Adjustments as a result of a different treatment of extension and termination options	4,094
Less: total future interest expenses	(1,303)
	14,794
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019 and lease liabilities recognised as at 1 April 2019	14,794
Of which are:	
Current lease liabilities	6,657
Non-current lease liabilities	8,137
	14,794

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

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

HKFRS 16 Leases (Continued)

(b) *Lessee accounting and transitional impact* (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Effects of adoption of HKFRS 16			Carrying amount as at 1 April 2019 HK\$'000	
	Carrying amount as at 31 March 2019 HK\$'000	Reclassification HK\$'000	Recognition of leases HK\$'000		
	Assets				
	Right-of-use assets	–	1,665		14,794
Prepayments and deposits	3,716	(1,665)	–	2,051	
Liabilities					
Lease liabilities	–	–	(14,794)	(14,794)	

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 35(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 35(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

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

HKFRS 16 Leases (Continued)

(c) *Impact of the financial results and cash flows of the Group* (Continued)

	2020			2019	
	Amounts reported under HKFRS 16 HK\$'000	Add back: HKFRS 16 depreciation and interest expense HK\$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) HK\$'000	Hypothetical amounts for 2020 as if under HKAS 17 HK\$'000	Compared to amounts reported for 2019 under HKAS 17 HK\$'000

Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:

(Loss)/profit from operation	(285,440)	5,751	(6,176)	(285,865)	87,312
Finance costs	(2,694)	800	-	(1,894)	(1,887)
(Loss)/profit before tax	(288,134)	6,551	(6,176)	(287,759)	85,425
(Loss)/profit for the year	(233,033)	6,551	(6,176)	(232,658)	58,832

	2020			2019	
	Amounts reported under HKFRS 16 HK\$'000	Estimated amounts related to operating leases as if under HKAS 17 (note 1) HK\$'000	Hypothetical amounts for 2020 as if under HKAS 17 HK\$'000	Compared to amounts reported for 2019 under HKAS 17 HK\$'000	

Line items in the consolidated statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:

Cash generated from operations	85,811	(6,176)	79,635	119,106
Interest element of lease rentals paid	(800)	800	-	-
Net cash generated from operating activities	68,405	(5,376)	63,029	98,201
Capital element of lease rentals paid	(5,376)	5,376	-	-
Net cash used in financing activities	(5,376)	5,376	-	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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

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

HKFRS 16 Leases (Continued)

(c) *Impact of the financial results and cash flows of the Group* (Continued)

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of consolidated 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).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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
Equipments, furniture and fixtures	20%–33 $\frac{1}{3}$ %
Motor vehicles	18%–25%
Training equipments	33 $\frac{1}{3}$ %

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 .

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Contract liabilities

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, a net contract liability is presented.

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

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *The Group as a lessee*

Policy applicable from 1 April 2019

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (Continued)

(i) *The Group as a lessee* (Continued)

Policy applicable from 1 April 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 April 2019

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (Continued)

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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 deducting 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 22(ii)).

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).

* English name is for identification purpose only

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (Continued)

Robotics Education and Others (Continued)

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.

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 robotics international exchange programme registration, the Group charges the applicants with registration fee and recognise as revenue at the time upon registration.
- 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.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Taxation (Continued)

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.

(u) Impairment of non-financial assets

Intangible assets that have 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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;

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant increase in credit risk (Continued)

- 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.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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 lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

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 consolidated statement of financial position.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 22 to the consolidated financial statements.

(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.

(c) *Determining the lease term*

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

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) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2020 was approximately HK\$2,060,000 (2019: HK\$16,115,000) and HK\$4,349,000 (2019: Nil) respectively after impairment losses of HK\$7,113,000 and HK\$5,891,000 was recognised during the year. Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(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 involves 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.

As at 31 March 2020, the carrying amount of goodwill was fully impaired during the year (as at 31 March 2019: HK\$37,537,000). An impairment loss of HK\$36,068,000 (2019: Nil) has been recognised during the year. Details of impairment losses calculation are provided in note 18 to the consolidated financial statements.

As at 31 March 2020, the carrying amount of intangible assets was HK\$80,969,000 (as at 31 March 2019: HK\$385,745,000). An impairment loss of HK\$286,758,000 (2019: Nil) has been recognised during the year. Details of impairment losses calculation are provided in note 18 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(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\$17,138,000 (2019: HK\$26,777,000) of income tax expense was charged in profit or loss based on the estimated profits of the Group's subsidiaries in the PRC; in addition, HK\$72,239,000 (2019: HK\$184,000) of income tax credit was recognised in profit or loss mainly related to the reversal of deferred tax liabilities on intangible assets.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

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

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 2020:

	2020		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Not past due	0%	–	–
1–30 days past due	0%	7,795	–
31–60 days past due	0%	5,300	–
61–90 days past due	0%	1,472	–
Over 90 days past due	1.75%	–	–
		14,567	–
		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%	–	–
Over 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.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 April	–	–
Impairment losses recognised for the year	–	–
At 31 March	–	–

Financial assets at amortised cost

Financial assets at amortised cost include other receivables, deposits and bank and cash balances.

All of the Group's financial assets at 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.

Movement in the loss allowance for financial assets at amortised cost is as follows:

	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	–	–	(123)	(123)
Adjusted balance at 1 April 2018	–	–	(123)	(123)
Impairment allowance recognised for the year	–	–	(73)	(73)
At 31 March 2019 and 1 April 2019	–	–	(196)	(196)
Impairment allowance recognised for the year	–	–	(700)	(700)
At 31 March 2020	–	–	(896)	(896)

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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 2020			
Accruals and other payables	117,308	–	117,308
Promissory note	–	111,874	111,874
Lease liabilities	4,663	2,477	7,140
At 31 March 2019			
Accruals and other payables	110,647	–	110,647
Promissory note	–	109,991	109,991

(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:

	2020 HK\$'000	2019 HK\$'000
Financial assets:		
Financial assets measured at amortised cost		
— Deposits and other receivables	15,557	41,118
— Bank and cash balances	262,599	221,422
Financial liabilities:		
Financial liabilities at amortised cost		
— Accruals and other payables	117,308	110,647
— Promissory note	109,515	107,621

(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.

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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 HKFRS 15

Reportable Segments	2020			2019		
	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	9,498	—	9,498	22,097	—	22,097
Robotics Education and Others						
— Robotics course	—	110,459	110,459	—	140,582	140,582
— Rental of training equipment	—	1,542	1,542	—	5,103	5,103
— Competition admission	—	3,828	3,828	—	5,872	5,872
— Robotics international exchange programme registration fee	—	3,514	3,514	—	—	—
— Voting service of robotics events	—	—	—	—	3,761	3,761
	—	119,343	119,343	—	155,318	155,318
Total	9,498	119,343	128,841	22,097	155,318	177,415
Geographical market						
Mainland China	9,498	119,343	128,841	22,097	155,318	177,415
Time of revenue recognition						
A point in time	—	7,342	7,342	—	9,633	9,633
Over time	9,498	112,001	121,499	22,097	145,685	167,782
	9,498	119,343	128,841	22,097	155,318	177,415

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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 2020 and the expected timing of recognising revenue as follows:

	Robotics Education and Others	
	2020	2019
	HK\$'000	HK\$'000
Within 1 year	39,574	51,252
More than 1 year	–	–
	39,574	51,252

8. INVESTMENT AND OTHER INCOME

	2020	2019
	HK\$'000	HK\$'000
Advertising income	–	631
Interest income	734	478
Other income	22	–
Sponsorship income	–	1,545
	756	2,654

9. OTHER GAINS AND LOSSES, NET

	2020	2019
	HK\$'000	HK\$'000
Exchange gain	2,387	1,725
Gain on disposal of property, plant and equipment	114	206
Gain on modification of leases	1,442	–
Impairment loss on property, plant and equipment (note 18)	(7,113)	–
Impairment loss on right-of-use assets (note 18)	(5,891)	–
Impairment loss on goodwill (note 18)	(36,068)	–
Impairment loss on intangible assets (note 18)	(286,758)	–
Written off of property, plant and equipment	(186)	(43)
Others	(47)	–
	(332,120)	1,888

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

10. SEGMENT INFORMATION (CONTINUED)

Information about operating segments' profit or loss, assets and liabilities:

	2020			2019		
	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)	9,498	119,343	128,841	22,097	155,318	177,415
Segment (loss)/profit	(4,304)	(267,784)	(272,088)	(2,397)	104,545	102,148
Interest income	44	689	733	75	398	473
Depreciation and amortisation	(2,051)	(10,699)	(12,750)	(301)	(7,457)	(7,758)
Other materials non-cash items:						
Gain on modification of leases	1,442	-	1,442	-	-	-
Impairment loss on property, plant and equipment (note 18)	(320)	(6,793)	(7,113)	-	-	-
Impairment loss on right-of-use assets (note 18)	(2,136)	(3,755)	(5,891)	-	-	-
Impairment loss on goodwill (note 18)	-	(36,068)	(36,068)	-	-	-
Impairment loss on intangible assets (note 18)	-	(286,758)	(286,758)	-	-	-
	(1,014)	(333,374)	(334,388)	-	-	-
Additions to segment non-current asset	189	2,843	3,032	25	10,305	10,330
As at 31 March						
Segment assets	34,976	348,017	382,993	41,608	678,171	719,779
Segment liabilities	2,776	261,976	264,752	2,326	263,705	266,031

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

10. SEGMENT INFORMATION (CONTINUED)

Reconciliations of segment revenue, profit, assets and liabilities:

	2020 HK\$'000	2019 HK\$'000
Revenue		
Total revenue of reportable segments	128,841	177,415
Consolidated revenue	128,841	177,415
Profit or loss		
Total (loss)/profit of reportable segments	(272,088)	102,148
Finance costs	(2,694)	(1,887)
Income tax credit/(expense)	55,101	(26,593)
Unallocated amounts:		
Depreciation of right-of-use assets	(2,005)	–
Directors' emoluments and allowances (note 15(a))	(4,106)	(4,106)
Legal and professional fee	(643)	(534)
Rent	–	(2,461)
Salaries and allowances	(3,719)	(4,487)
Other unallocated head office and corporate expenses	(2,879)	(3,248)
Consolidated (loss)/profit for the year	(233,033)	58,832
Assets		
Total assets of reportable segments	382,993	719,779
Elimination of intersegment assets	(126,915)	(122,915)
Unallocated assets:		
Amount due from reportable segment	105,000	105,000
Bank and cash balances	3,291	1,943
Other unallocated head office and corporate assets	4,005	1,042
Consolidated total assets	368,374	704,849
Liabilities		
Total liabilities of reportable segment	264,752	266,031
Elimination of intersegment liabilities	(126,915)	(117,915)
Current tax liabilities	35,650	37,079
Deferred tax liabilities	21,844	98,537
Promissory note	109,515	107,621
Other unallocated head office and corporate liabilities	25,772	13,795
Consolidated total liabilities	330,618	405,148

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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

	2020 HK\$'000	2019 HK\$'000
CCC — Promotion and Management Services segment	9,498	22,097

11. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on promissory note payable to CCI	1,894	1,887
Interest expenses on lease liabilities	800	–
	2,694	1,887

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FOR THE YEAR ENDED 31 MARCH 2020

12. INCOME TAX (CREDIT)/EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax — PRC		
Provision for the year	17,138	26,777
Deferred tax (note 30)	(72,239)	(184)
	(55,101)	26,593

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2020 and 2019.

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(288,134)	85,425
Tax at the PRC Enterprise Income Tax rate of 25% (2019: 25%)	(72,033)	21,356
Tax effect of temporary differences not recognised	(72,239)	(184)
Tax effect of expenses that are not deductible	87,507	4,209
Tax effect of unused tax losses not recognised	1,124	599
PRC dividend tax	540	613
Income tax (credit)/expense	(55,101)	26,593

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

13. (LOSS)/PROFIT FOR THE YEAR

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

	2020	2019
	HK\$'000	HK\$'000
Auditor's remuneration		
— audit services	700	680
— other services	595	593
	1,295	1,273
Amortisation of intangible assets		
— included in cost of service	705	735
Depreciation of property, plant and equipment (note 19)	8,330	7,055
Depreciation of right-of-use assets (note 20)	5,751	–
Gain on disposal of property, plant and equipment	(114)	(206)
Gain on modification of leases	(1,442)	–
Impairment loss on property, plant and equipment (note 18)	7,113	–
Impairment loss on right-of-use assets (note 18)	5,891	–
Impairment loss on goodwill (note 18)	36,068	–
Impairment loss on intangible assets (note 18)	286,758	–
Legal and professional fee (excluding auditor's remuneration)	653	547
Operating lease charges for land and buildings	346	8,205
Written off of property, plant and equipment	186	43

Notes to the Consolidated Financial Statements

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14. EMPLOYEE BENEFITS EXPENSE

	2020 HK\$'000	2019 HK\$'000
Employee benefits expenses:		
Salaries, bonuses and allowances	20,528	24,074
Retirement benefit scheme contributions	1,476	1,937
	22,004	26,011

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2019: two) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2019: three) individuals are set out below:

	2020 HK\$'000	2019 HK\$'000
Basic salaries and allowances	2,716	2,769
Retirement benefits scheme contributions	48	53
	2,764	2,822

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1

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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							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	Total
	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Employer's contribution to a retirement benefits scheme	Remunerations paid or receivable in respect of office director	Housing allowance		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors									
He Chenguang	-	2,210	-	-	18	-	-	-	2,228
Bao Yueqing	-	1,156	-	-	18	-	404	-	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 2020	300	3,366	-	-	36	-	404	-	4,106
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

None of the directors had waived any emoluments during the year (2019: 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 39(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.

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16. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2019: Nil).

17. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share (2019: earnings per share) is based on the loss for the year attributable to owners of the Company of approximately HK\$233,033,000 (2019: profit for the year attributable to owners of the Company of approximately HK\$58,832,000) and the weighted average number of ordinary shares of approximately 1,895,697,017 (2019: 1,895,697,017) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share was presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 March 2020 and 2019.

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

	Property, plant and equipment	Right-of-use assets	Goodwill	Intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 19)	(note 20)	(note 21)	(note 22)	
Promotion and Management Services CGU	320	2,136	–	–	2,456
Robotics Educations and Others CGU	–	–	23,721	–	23,721
First interim reporting period impairment	320	2,136	23,721	–	26,177
Promotion and Management Services CGU	–	–	–	–	–
Robotics Educations and Others CGU	6,793	3,755	12,347	286,758	309,653
Second interim reporting period impairment	6,793	3,755	12,347	286,758	309,653
Total impairment for the year	7,113	5,891	36,068	286,758	335,830

The Group has two CGUs, namely, Promotion and Management Services CGU and Robotics Education and Others CGU.

The carrying amounts of the Group's property, plant and equipment, right-of-use assets, goodwill and intangible assets are allocated to the above CGUs. The recoverable amounts of the CGUs have been determined on the basis of their value in use calculations using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, 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.

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18. IMPAIRMENT OF CASH GENERATING UNITS (“CGUs”) (CONTINUED)

Impairment loss of Promotion and Management Services CGU for the first interim period

During the first interim reporting period, management assessed whether there was any indication that the carrying amount of Promotion and Management Services CGU may be impaired. Financial performance of this CGU did not meet forecasts due to government’s increasing regulation of online game operations. Management revised the forecast and determined the value in use to be HK\$1,462,000, and the pre-tax discount rate used to calculate the value in use was 26.0%. As a result, an impairment loss of HK\$2,456,000 was recognised for the CGU and was charged against property, plant and equipment and right-of-use assets of the CGU.

Impairment loss of Robotics Education and Others CGU for the first interim period

During the first interim reporting period, management assessed whether there was any indication that the carrying amount of Robotics Education and Others CGU may be impaired. Financial performance of this CGU did not meet forecasts due to economic downturn and declined revenue. Management revised the forecast and determined the value in use to be HK\$363,944,000, and the pre-tax discount rate used to calculate the value in use was 26.0%. As a result, an impairment loss of HK\$23,721,000 was recognised for the CGU and was fully charged against the goodwill attributable to the CGU.

The Group has engaged external independent valuer to assist the management to estimate the recoverable amounts of the Robotics Education and Others CGU.

Impairment loss of Robotics Education and Others CGU for the second interim period

At 31 March 2020, before impairment testing, goodwill with carrying amount of HK\$12,347,000 (after impairment in first interim reporting period) and intangible assets with carrying value of HK\$360,090,000 was allocated to the Robotics Education and Others CGU. Due to the outbreak of COVID-19 and its enduring adverse effect on economy of Heilongjiang province, management estimated the operation of the CGU would be severely affected both in short term and long term. Based on the latest assessment of the economic condition and future demand of robotics education course in Heilongjiang province, management has prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2019: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax discount rate used to discount the forecast cash flows of the CGU is 24.3% (2019: 27.3%). Pre-tax discount rates presented above are calculated by grossing up the post-tax discount rate by one less income tax rate applicable to the CGU. The change of pre-tax discount rate is mainly due to decrease in risk-free rate and change in market debt-to-equity ratio for the reporting period.

As a result of the impairment testing at 31 March 2020, the CGU (excluding bank and cash balances) has been reduced to its recoverable amount of HK\$83,948,000, with impairment losses recognised in goodwill of HK\$12,347,000, intangible assets of HK\$286,758,000, property, plant and equipment of HK\$6,793,000 and right-of-use assets of HK\$3,755,000.

The Group has engaged external independent valuer to assist the management to estimate the recoverable amounts of the Robotics Education and Others CGU.

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19. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Training equipments HK\$'000	Total HK\$'000
Cost						
At 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 and 1 April 2019	10,416	7,155	1,432	2,521	14,384	35,908
Additions	267	978	90	–	922	2,257
Written off	(3,645)	–	(355)	–	–	(4,000)
Disposal	(20)	–	–	–	–	(20)
Exchange differences	(573)	(425)	(86)	(163)	(956)	(2,203)
At 31 March 2020	6,445	7,708	1,081	2,358	14,350	31,942
Accumulated depreciation and impairment losses						
At 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 and 1 April 2019	7,133	3,022	905	1,362	7,371	19,793
Charge for the year	1,766	2,023	336	434	3,771	8,330
Impairment losses (note 18)	1,226	2,375	200	138	3,174	7,113
Written off	(3,470)	–	(344)	–	–	(3,814)
Disposal	(20)	–	–	–	–	(20)
Exchange differences	(439)	(250)	(65)	(104)	(662)	(1,520)
At 31 March 2020	6,196	7,170	1,032	1,830	13,654	29,882
Carrying amount						
At 31 March 2020	249	538	49	528	696	2,060
At 31 March 2019	3,283	4,133	527	1,159	7,013	16,115

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

20. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
At 1 April 2019 (note 3(a)(b))	16,459
Additions	785
Depreciation	(5,751)
Modification of leases	(775)
Impairment loss (note 18)	(5,891)
Exchange differences	(478)
At 31 March 2020	4,349
	2020 HK\$'000
Depreciation expenses on right-of-use assets (included in cost of services, selling expenses and administrative expenses)	5,751
Interest expense on lease liabilities (included in finance cost)	800
Expenses relating to short-term lease	346

Details of total cash outflow for leases is set out in note 35(b).

For both years, the Group leases various offices and venues for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease contracts are entered into for fixed term of 1 year to 6 years. Extension options and termination options are included in several lease contracts. The Group assesses at lease commencement date that the Group will exercise the extension options and consider will extend the lease term, the related extension periods are included in the measurement of lease liabilities.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

21. GOODWILL

	Robotics Education and Others CGU
	HK\$'000
<hr/>	
Cost	
As at 1 April 2018	40,190
Exchange differences	(2,653)
<hr/>	
At 31 March 2019 and 1 April 2019	37,537
Exchange differences	(2,430)
<hr/>	
At 31 March 2020	35,107
<hr/>	
Accumulated impairment losses	
As at 1 April 2018	–
Exchange differences	–
<hr/>	
At 31 March 2019 and 1 April 2019	–
Impairment loss (note 18)	36,068
Exchange differences	(961)
<hr/>	
At 31 March 2020	35,107
<hr/>	
Carrying amount	
At 31 March 2020	–
<hr/>	
At 31 March 2019	37,537
<hr/>	

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. All goodwill are allocated to Robotics Education and Others CGU.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

22. INTANGIBLE ASSETS

	Exclusive Rights HK\$'000 (note (i))	Mobile Application HK\$'000 (note (ii))	Total HK\$'000
Cost			
At 1 April 2018	411,762	2,358	414,120
Exchange differences	(27,179)	(156)	(27,335)
At 31 March 2019 and 1 April 2019	384,583	2,202	386,785
Exchange differences	(24,893)	(143)	(25,036)
At 31 March 2020	359,690	2,059	361,749
Accumulated amortisation and impairment losses			
At 1 April 2018	–	328	328
Amortisation for the year	–	735	735
Exchange differences	–	(23)	(23)
At 31 March 2019 and 1 April 2019	–	1,040	1,040
Amortisation for the year	–	705	705
Impairment loss (note 18)	286,440	318	286,758
Exchange differences	(7,630)	(93)	(7,723)
At 31 March 2020	278,810	1,970	280,780
Carrying amount			
At 31 March 2020	80,880	89	80,969
At 31 March 2019	384,583	1,162	385,745

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

22. INTANGIBLE ASSETS (CONTINUED)

Note:

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

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

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

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

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

- (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 0.58 years (2019: 1.58 years).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2020 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		Principal activities
			Direct	Indirect	
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

Notes to the Consolidated Financial Statements

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23. INVESTMENTS IN SUBSIDIARIES (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	
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
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 2020, the bank and cash balances of the Group’s subsidiaries in the PRC denominated in Renminbi (“RMB”) amounted to approximately HK\$259,256,000 (2019: HK\$219,426,000). 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Amount due from a substantial shareholder (note)	14,567	39,296
Other receivables	300	1,018
Prepayments and deposits	3,530	3,716
	18,397	44,030

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

25. BANK AND CASH BALANCES

As at 31 March 2020, the bank and cash balances of the Group denominated in RMB was amounted to approximately HK\$259,256,000 (2019: HK\$219,426,000). 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.

26. ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Amount due to a substantial shareholder (note a)	95,100	95,100
Amounts due to related companies (note b)	4,451	1,364
Accrued salaries	5,936	5,880
Accrued expenses	1,200	1,110
Security deposits (note c)	4,913	5,252
Other payables	5,708	1,941
	117,308	110,647

Note: (a) The amount due to CCI, a substantial shareholder of the Company is denominated in HK\$, unsecured, interest-free and repayable on 15 November 2020.

(b) The amounts due to related companies are denominated in HK\$ and RMB (2019: all amounts 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

27. CONTRACT LIABILITIES

Contract liabilities	2020	2019
	HK\$'000	HK\$'000
Billings in advance of performance obligation		
— Robotics course fee	39,574	51,252

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

Movements in contract liabilities:

	2020	2019
	HK\$'000	HK\$'000
Balance at 1 April	51,252	38,841
Increase in contract liabilities as a result of advance payments of robotics course fee received	105,593	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	(114,183)	(145,414)
Exchange differences	(3,088)	(2,588)
Balance at 31 March	39,574	51,252

28. PROMISSORY NOTE

As at 31 March 2020, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2019: HK\$94,427,000).

On 31 March 2019, the Group and CCI agreed to extend the maturity date from 30 June 2019 to 30 June 2020. On 31 March 2020, the Group and CCI agreed to extend the maturity date from 30 June 2020 to 30 June 2021.

The principal amount of the promissory note is denominated in HK\$. The promissory note is unsecured. As at 31 March 2020, the coupon rate is 2% per annum (2019: 2% per annum) and the effective interest rate is 1.72% (2019: 1.75%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within one year	4,663	–	4,308	–
In the second to fifth years, inclusive	2,477	–	2,407	–
After five years	–	–	–	–
	7,140	–	6,715	–
Less: Future finance charges	(425)	–	N/A	–
Present value of lease obligations	6,715	–		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(4,308)	–
Amount due for settlement after 12 months			2,407	–

The carrying amounts of the Group's for lease denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HKD	2,933	–
RMB	3,782	–
	6,715	–

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

30. DEFERRED TAX LIABILITIES

	Intangible assets	Undistributed profits of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
At 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 and 1 April 2019	96,437	2,100	98,537
Credit to profit or loss for the year (note 12)	(71,866)	(373)	(72,239)
Exchange differences	(4,328)	(126)	(4,454)
At 31 March 2020	20,243	1,601	21,844

At the end of the reporting period, the Group has unused tax losses of approximately HK\$19,566,000 (2019: 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\$223,909,000 (2019: HK\$220,243,000). 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

31. SHARE CAPITAL

	2020		2019	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At the beginning and the end of the year	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At the beginning and the end of the year	1,895,697,017	18,957	1,895,697,017	18,957

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amounts of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt is defined as promissory note and all amounts due to related companies. Adjusted capital comprises all components of equity except for non-controlling interests, if any.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

31. 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 as follows:

	2020	2019
	HK\$'000	HK\$'000
Total debt	209,066	204,085
Less: cash and cash equivalents	(262,599)	(221,422)
Net debt	N/A	N/A
Total equity	37,756	299,701
Debt-to-adjusted capital ratio	N/A	N/A

The externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

Notes to the Consolidated Financial Statements

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32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investments in subsidiaries	23	30,020	30,020
Current assets			
Amounts due from subsidiaries		37,961	169,885
Prepayments, deposits and other receivables		118	118
Bank and cash balances		2,995	1,641
Total current assets		41,074	171,644
TOTAL ASSETS		71,094	201,664
EQUITY AND LIABILITIES			
Share capital		18,957	18,957
Reserves	32(b)	3,106	148,811
Total equity		22,063	167,768
LIABILITIES			
Current liabilities			
Accruals and other payables		808	758
Amount due to subsidiaries		48,223	33,138
Total current liabilities		49,031	33,896
TOTAL EQUITY AND LIABILITIES		71,094	201,664

Approved by the Board of Directors on 19 June 2020 and are signed on its by:

He Chenguang
Director

Bao Yueqing
Director

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

32. 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 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 34)	–	(1,797)	1,797	–
At 31 March 2019	1,354,838	1,483	(1,207,510)	148,811
At 1 April 2019	1,354,838	1,483	(1,207,510)	148,811
Loss for the year	–	–	(145,705)	(145,705)
Share-based payments				
— lapsed share options (note 34)	–	(1,483)	1,483	–
At 31 March 2020	1,354,838	–	(1,351,732)	3,106

33. 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

33. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(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.

34. 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.

Notes to the Consolidated Financial Statements

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34. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

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.

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 HK\$	Number of shares issuable under options granted	
				2020 '000	2019 '000
26 August 2016	Immediately	26 August 2016 to 25 August 2019 (both days inclusive)	0.53	–	7,800

Options not exercised were expired after the exercisable period.

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34. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

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

	2020		2019	
	Number of share options '000	Weighted average exercise price HK\$	Number of share options '000	Weighted average exercise price HK\$
Outstanding at the beginning of the year	7,800	0.53	17,800	0.53
Granted during the year	–	N/A	–	N/A
Lapsed during the year	(7,800)	0.53	(10,000)	0.53
Outstanding at the end of the year	–	N/A	7,800	0.53
Exercisable at the end of the year	–	N/A	7,800	0.53

No share option has been exercised during the year. All remaining share options are lapsed during the year. As at 31 March 2019, the options outstanding had a weighted average remaining contractual life 0.4 years. 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.

Notes to the Consolidated Financial Statements

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) 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 2019 HK\$'000	Impact on initial application of HKFRS 16 (note 3) HK\$'000	Restated balance at 1 April 2019 HK\$'000	Fund raised HK\$'000	Repayment HK\$'000	Change of modification HK\$'000	Interest expenses (note 11) HK\$'000	Exchange differences HK\$'000	31 March 2020 HK\$'000
Promissory note	107,621	-	107,621	-	-	-	1,894	-	109,515
Loans from CCI	-	-	-	3,700	(3,700)	-	-	-	-
Lease liabilities (note 29)	-	14,794	14,794	-	(6,176)	(2,217)	800	(486)	6,715
	107,621	14,794	122,415	3,700	(9,876)	(2,217)	2,694	(486)	116,230

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2020 HK\$'000	2019 HK\$'000
Within operating cash flows	346	8,205
Within investing cash flows	785	-
Within financing cash flows	5,376	-
Exchange difference	-	-
	6,507	8,205

These amounts relate to the following:

	2020 HK\$'000	2019 HK\$'000
Operating lease payment	346	8,205
Right-of-use assets prepayment	785	-
Lease rental payment under lease liabilities	5,376	-
Total lease rental paid	6,507	8,205

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36. CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

37. CAPITAL COMMITMENTS

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

	2020	2019
	HK\$'000	HK\$'000
Property, plant and equipment		
— Contracted but not provide for	613	639

38. OPERATING LEASE ARRANGEMENTS

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

	2019
	HK\$'000
Within one year	6,797
In the second to fifth years inclusive	5,392
	12,189

Operating lease payments represent rental payable by the Group for its offices. Leases are negotiated for terms of one to six years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for offices. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

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39. 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

	2020 HK\$'000	2019 HK\$'000
Loans from CCI (note)	3,700	–
Promotion and Management Service income from CCC	9,498	22,097
Interest on promissory note payable to CCI	(1,894)	(1,887)
Salaries and allowance paid to a close family member of an executive director	(668)	(668)
Service fee to CCC		
— Web advertising expenses	(2,856)	(5,164)
— Customer service hotline rental	(4,208)	(5,053)
— CRC Shentong Card payment system management	(7,088)	(9,089)
— Server hosting service	(10,946)	(15,712)
Service fee to related companies		
— Web advertising expenses	(3,202)	(3,155)
— Heilongjiang Operation and Management	(1,346)	(589)
— Office rental	(1,182)	(1,202)
— Rental of competition venue	(160)	(281)

Note: The loans were unsecured, interest free and no fixed repayment date which repayable according to CCI request. The amounts were denominated in HKD and fully repaid on 20 December 2019.

- (b) A related party has provided course venue to the Group to use for nil consideration for the two years ended 31 March 2020 and 31 March 2019.

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39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Short-term benefits	6,762	7,043
Post-employment benefits	–	–
Other long-term benefits	–	–
Share-based payments	–	–
Termination benefits	–	–
	6,762	7,043

40. EVENT AFTER REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group's robotics education operation in Heilongjiang province has been severely affected by the enduring damage of economy caused by the COVID-19. The Group's robotics education operation in Heilongjiang province has been temporarily suspended since February 2020, hence no revenue has been recognised up to the date of approval of these financial statements. The Group is paying close attention to the development of, and the disruption to business and financial impact to the Group caused by the COVID-19 outbreak.