



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)



THIRD
QUARTERLY
REPORT

2020/21

Characteristics of the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 the 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 or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.



Highlights

- Revenue of the Group for the nine months ended 31 December 2020 was approximately HK\$3,017,000.
- Loss attributable to owners of the Company was approximately HK\$18,059,000 for the nine months ended 31 December 2020.
- Loss per share for the nine months ended 31 December 2020 was approximately HK0.95 cent.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the nine months ended 31 December 2020.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2020.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK\$3,017,000 for the nine months ended 31 December 2020, representing a decrease of approximately 97.2% as compared to approximately HK\$107,164,000 for the nine months ended 31 December 2019.

The Group made a loss attributable to owners of the Company of approximately HK\$18,059,000 for the nine months ended 31 December 2020, as compared to profit of approximately HK\$2,851,000 for the nine months ended 31 December 2019. The deterioration was mainly due to the decrease in revenue which was primarily due to the interruption of business operation caused by the outbreak of COVID-19.

BUSINESS REVIEW

The principal business activities of the Group are the provision of promotion and management services for an electronic smart card “Designated Shentong Card” in the PRC (the “Promotion and Management Business”) and organizing and hosting China Robot Competition and provision of robotics related education, training and consultancy services in the PRC (the “Robotics Business”). The Group recorded a decrease of approximately 97.2% in revenue for the nine months ended 31 December 2020 as compared with that for the nine months ended 31 December 2019. The decrease in the revenue of the Group for the financial period was primarily due to the prolonged impositions of governmental social distancing measures and the disruptions to economic activities caused by the outbreak of COVID-19.

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

In relation to the Robotics Business, robotics classes of our Group which are normally conducted at schools and training centres of the Group have been suspended for the period from the end of the January 2020 to August 2020 and since the start of the January 2021. Schools have been compelled to shorten their lesson times and suspend classes for non-academic subjects, which include the robotics classes provided by the Group. Only the classes of some of the self-operated training centres of the Group have resumed for the period from September 2020 to December 2020 and the number of students per class is limited to 15, as required by measures imposed by the local government in the PRC. In addition, all robotics competitions which are originally planned to be held by the Group and are normally an important channel for the Group to source its customers, have also been completely suspended since January 2020 as a result of the COVID-19 outbreak.

In light of the foregoing circumstances, there was a significant decrease in the revenue of the Group for the nine months ended 31 December 2020 which could not fully cover the fixed costs of operation such as depreciation, staff costs, customer service hotline rental, server hosting fees, thus loss attributable to owners of the Company and gross loss incurred.

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

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

Condensed Consolidated Statement of Profit or Loss

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	Note	Unaudited For the three months ended 31 December		Unaudited For the nine months ended 31 December	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	4	2,272	33,246	3,017	107,164
Cost of service		(2,097)	(10,826)	(4,513)	(36,353)
Gross profit/(loss)		175	22,420	(1,496)	70,811
Investment and other income	5	133	203	807	662
Other gains and losses, net	6	(1,658)	(207)	(2,795)	(24,247)
Reversal/(allowance) for expected credit losses		9	–	15	(168)
Selling and distribution expenses		(361)	(2,049)	(1,209)	(8,928)
Administrative expenses		(3,981)	(6,571)	(11,682)	(18,427)
(Loss)/profit from operations		(5,683)	13,796	(16,360)	19,703
Finance costs	7	(561)	(595)	(1,722)	(1,826)
(Loss)/profit before tax		(6,244)	13,201	(18,082)	17,877
Income tax (expense)/credit	8	–	(4,484)	23	(15,026)
(Loss)/profit for the period attributable to owners of the Company	9	(6,244)	8,717	(18,059)	2,851
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share	11				
Basic (HK cents per share)		(0.33)	0.46	(0.95)	0.15
Diluted (HK cents per share)		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	Unaudited For the three months ended 31 December		Unaudited For the nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the period	(6,244)	8,717	(18,059)	2,851
Other comprehensive income, net of tax: <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	13,808	8,340	25,292	(23,171)
Total comprehensive income for the period attributable to owners of the Company	7,564	17,057	7,233	(20,320)

Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	Unaudited							
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Statutory reserve	Share-based payment reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	18,957	1,354,838	8,320	(5,596)	625	1,483	(1,078,926)	299,701
Lapsed share-based payments	-	-	-	-	-	(1,483)	1,483	-
Total comprehensive income for the period	-	-	-	(23,171)	-	-	2,851	(20,320)
Changes in equity for the period	-	-	-	(23,171)	-	(1,483)	4,334	(20,320)
At 31 December 2019	18,957	1,354,838	8,320	(28,767)	625	-	(1,074,592)	279,381
At 1 April 2020 (audited)	18,957	1,354,838	8,320	(34,508)	625	-	(1,310,476)	37,756
Total comprehensive income for the period	-	-	-	25,292	-	-	(18,059)	7,233
Changes in equity for the period	-	-	-	25,292	-	-	(18,059)	7,233
At 31 December 2020	18,957	1,354,838	8,320	(9,216)	625	-	(1,328,535)	44,989

Notes to the Quarterly Financial Information

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

1. GENERAL

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, 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").

2. BASIS OF PREPARATION

The unaudited quarterly financial information ("Financial Information") has been prepared by the directors of the Company (the "Directors") in accordance with the applicable disclosure requirements of Chapter 18 of the GEM listing Rules of the Stock Exchange.

The amounts included in the Financial Information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to the interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The Financial Information should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the Financial Information are consistent with those used in the annual financial statements for the year ended 31 March 2020.

The Group had net current liabilities of approximately HK\$22,784,000 as at 31 December 2020. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the Directors had adopted the going concern basis in the preparation of this Financial Information of the Group based on the following:

- (a) The Group's contract liabilities as at 31 December 2020 amounted to HK\$42,100,000 was deferred income in nature and would not require settlement in form of bank and cash balances.
- (b) On 1 November 2020, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the repayment date to 15 November 2021 for an amount of HK\$95,100,000 due to CCI.
- (c) On 31 March 2020, the Group agreed with CCI to postpone the maturity date of the promissory note to 30 June 2021 and the directors expect that the repayment date can be further postponed, if necessary.
- (d) The Directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to CCI by the Group when necessary.

Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the directors are therefore of the opinion that it is appropriate to prepare this Financial Information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the Financial Information to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

* English name is for identification purpose only

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

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
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In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

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

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

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the three months ended

31 December (Unaudited)

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	82	—	82	1,441	—	1,441
Robotics Education and Others						
— Robotics course	—	2,190	2,190	—	30,129	30,129
— Rental of training equipment	—	—	—	—	401	401
— Competition admission	—	—	—	—	1,275	1,275
	—	2,190	2,190	—	31,805	31,805
Total	82	2,190	2,272	1,441	31,805	33,246
Geographical market						
Mainland China	82	2,190	2,272	1,441	31,805	33,246
Time of revenue recognition						
A point in time	—	—	—	—	1,275	1,275
Over time	82	2,190	2,272	1,441	30,530	31,971
	82	2,190	2,272	1,441	31,805	33,246

For the nine months ended
31 December (Unaudited)

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	480	—	480	8,709	—	8,709
Robotics Education and Others						
— Robotics course	—	2,537	2,537	—	93,192	93,192
— Rental of training equipment	—	—	—	—	1,528	1,528
— Competition admission	—	—	—	—	3,735	3,735
	—	2,537	2,537	—	98,455	98,455
Total	480	2,537	3,017	8,709	98,455	107,164
Geographical market						
Mainland China	480	2,537	3,017	8,709	98,455	107,164
Time of revenue recognition						
A point in time	—	—	—	—	3,735	3,735
Over time	480	2,537	3,017	8,709	94,720	103,429
	480	2,537	3,017	8,709	98,455	107,164

5. INVESTMENT AND OTHER INCOME

	Unaudited		Unaudited	
	For the three months ended		For the nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	-	-	343	-
Interest income	126	185	439	494
Other income	7	18	25	168
	133	203	807	662

6. OTHER GAINS AND LOSSES, NET

	Unaudited		Unaudited	
	For the three months ended		For the nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange (loss)/gain	(1,665)	(207)	(3,121)	1,951
Gain on early termination of lease	7	-	326	-
Impairment loss on property, plant and equipment	-	-	-	(323)
Impairment loss on right-of-use assets	-	-	-	(2,154)
Impairment loss on goodwill	-	-	-	(23,721)
	(1,658)	(207)	(2,795)	(24,247)

7. FINANCE COSTS

	Unaudited		Unaudited	
	For the three months ended		For the nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on promissory note payable to CCI	477	477	1,420	1,420
Interest on lease liabilities	84	118	302	406
	561	595	1,722	1,826

8. INCOME TAX EXPENSE/(CREDIT)

	Unaudited		Unaudited	
	For the three months ended		For the nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Provision for the period	-	4,528	-	15,159
Deferred tax	-	(44)	(23)	(133)
	-	4,484	(23)	15,026

No provision for PRC Enterprise Income Tax and Hong Kong Profits Tax is required since the Group has no assessable profit in the PRC and Hong Kong for the three months ended 31 December 2020 and nine months ended 31 December 2020.

For three months ended 31 December 2019 and nine months ended 31 December 2019, no provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong. Tax charged on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25%.

9. (LOSS)/PROFIT FOR THE PERIOD

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

	Unaudited For the three months ended 31 December		Unaudited For the nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Amortisation in intangible assets	2	174	93	530
Depreciation of property, plant and equipment	362	1,664	1,190	5,588
Depreciation of right-of-use assets	668	1,866	2,009	5,642
Directors' emoluments	837	951	2,541	2,865
Legal and professional fee	150	441	406	625
Operating leases expenses in respect of short term lease	-	51	-	343
Impairment loss on property, plant and equipment	-	-	-	323
Impairment loss on right-of-use assets	-	-	-	2,154
Impairment loss on goodwill	-	-	-	23,721
Employee benefits expense including Directors' emoluments				
— Salaries, bonus and allowances	2,662	4,428	8,070	14,848
— Retirement benefits scheme contributions	23	351	68	1,123
	2,685	4,779	8,138	15,971

10. DIVIDENDS

No dividends have been paid or proposed during the three months and nine months ended 31 December 2020, nor has any dividend been proposed since the end of reporting period (three months and nine months ended 31 December 2019: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share of the Company for the three months and nine months ended 31 December 2020 is based on the loss for the period attributable to owners of the Company of approximately HK\$6,244,000 (three months ended 31 December 2019: earnings of approximately HK\$8,717,000) and loss of HK\$18,059,000 (nine months ended 31 December 2019: earnings of approximately HK\$2,851,000) respectively and the weighted average number of ordinary shares of 1,895,697,017 in issue during all periods.

(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 three months and nine months ended 31 December 2020 and 31 December 2019.

12. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed financial statements, the Group had the following material transactions with related parties during the period:

(a) Transactions with related parties

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loans from CCI	2,100	–	4,200	1,700
Promotion and management service income from CCC	82	1,441	480	8,709
Interest on promissory note payable to CCI	(477)	(477)	(1,420)	(1,420)
Salaries and allowance paid to a close family member of an executive director	(155)	(155)	(464)	(464)
Service fee to CCC				
— Web advertising expenses	–	(597)	–	(2,435)
— Customer service hotline rental	(265)	(1,044)	(786)	(3,441)
— Waiver of customer service hotline rental (note)	4	–	241	–
— CRC Shentong Card payment system management	(136)	(1,948)	(157)	(6,012)
— Server hosting service	(845)	(2,573)	(2,438)	(8,906)
— Waiver of server hosting service (note)	22	–	1,084	–
Service fee to related companies				
— Web advertising expenses	(842)	(798)	(2,421)	(2,412)
— Waiver of web advertising expenses (note)	842	–	2,421	–
— Heilongjiang Operation and Management Contract	(46)	(358)	(46)	(1,018)
— Rental of competition venue	–	(50)	–	(143)
— Office rental	(309)	(307)	(892)	(889)

Note: Due to the outbreak of COVID-19, total service fees of HK\$868,000 and HK\$3,746,000 have been waived by CCC and a related company during the three months ended and nine months ended 31 December 2020.

- (b) A related party has provided course venue to the Group with nil consideration for the three months ended and nine months ended 31 December 2019.
- (c) CCC provide office space to the Group with nil consideration for the three months ended and nine months ended 31 December 2020 (nine months ended 31 December 2019: Nil).
- (d) The remuneration of directors and other members of key management during the period was as follows:

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Short-term benefits	1,021	1,461	3,076	5,126
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
Termination benefits	-	-	-	-
	1,021	1,461	3,076	5,126

13. EVENT AFTER REPORTING PERIOD

Since COVID-19 is getting serious in Heilongjiang province, 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 again from January 2021, hence no revenue has been recognised from January 2021 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.

Other Information

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

As at 31 December 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%

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 December 2020.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 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		
CCC (Note 1)	–	472,042,000	–	472,042,000	24.90%
CCI	472,042,000	–	–	472,042,000	24.90%
Yang Shao Hui	191,041,256	–	–	191,041,256	10.08%
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%

Note:

- (1) CCC is deemed to be a 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 he 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 December 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.

CHANGES IN INFORMATION OF DIRECTORS

There are no matter that need to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “2013 Share Option Scheme”) pursuant to an ordinary resolution passed on 7 August 2013. Details of the 2013 Share Option Scheme have been set out in the Company’s annual report of year 2019/20.

There is no outstanding options which have been granted under 2013 Share Option Scheme as at 31 December 2020.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares on the GEM during the nine months ended 31 December 2020.

COMPETING INTERESTS

None of the Directors 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.

AUDIT COMMITTEE

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. During the nine months ended 31 December 2020, it comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company’s qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group’s internal control system.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited third quarterly results of the Group for the nine months ended 31 December 2020. The audit committee is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

Having made specific enquiry of all Directors, the Board has confirmed that all Directors have complied with the principles and code provisions (the “Code Provisions”) set out in the CG Code during the nine months ended 31 December 2020, save for the deviation from Code Provisions A.6.7 and E.1.2 which are explained below:

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 shareholders. Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 31 July 2020 (the “2020 AGM”) due to their other business activities and unexpected engagement.

In addition, under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. He Chenguang (chairman of the Board and chairman of the nomination committee of the Company) was unable to attend the 2020 AGM due to his other business activities and unexpected engagement. Mr. Bao Yueqing (executive Director and Chief Executive Officer of the Company) was appointed as the chairman of the 2020 AGM to answer and address questions raised by shareholders at the 2020 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the nine months ended 31 December 2020.

By order of the Board
Shentong Robot Education Group Company Limited
He Chenguang
Chairman

As at the date of this report, the Board comprises:

Mr. He Chenguang (*Executive Director and Chairman*)
Mr. Bao Yueqing (*Executive Director and Chief Executive Officer*)
Mr. Yip Tai Him (*Independent Non-Executive Director*)
Ms. Han Liqun (*Independent Non-Executive Director*)
Ms. Zhang Li (*Independent Non-Executive Director*)

Hong Kong, 10 February 2021