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Shentong Robot Education Group Company Limited

神通機器人教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

CONTINUING CONNECTED TRANSACTIONS

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References are made to the announcements of the Company dated 9 March 2015, 9 December 2015 and 30 November 2017 in relation to, among other things, the Existing CCT Agreements.

As the Existing CCT Agreements will be expired on 31 March 2018, the Company and the counterparties had agreed to, subject to approval by the Independent Shareholders at the EGM, renew the Existing CCT Agreements. In addition, the Group has also entered into the Heilongjiang Operation and Management Contract which will become effective on 1 April 2018.

The Board announces that on 9 February 2018 (after trading hours of the Stock Exchange), the Group entered into the following CCT Agreements:

- (i) Heilongjiang Shentong CRC Shentong Card Payment System Contract;
- (ii) Heilongjiang Shentong Customer Service Hotline Rental Contract;
- (iii) Heilongjiang Shentong Server Hosting Agreement;
- (iv) China Communication Heilongjiang Bin County Branch Venue Rental Contract;
- (v) Harbin China Communication Skill Training Venue Rental Agreement;
- (vi) Heilongjiang Shentong Web Advertising Contract;
- (vii) Yijia Customer Service Hotline Rental Contract;
- (viii) Yijia Server Hosting Agreement;
- (ix) Shentong Card Management and Sales Contract;
- (x) Yijia Web Advertising Contract; and
- (xi) Heilongjiang Operation and Management Contract.

IMPLICATIONS UNDER THE GEM LISTING RULES

CCC is a connected person to the Company by virtue of its interest in approximately 24.90% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is 中國海外貿易哈爾濱王子葡萄酒有限公司 (China Overseas Trade Harbin Province Wine Co. Limited[#]), a company incorporated in the PRC with limited liability) and its ultimate beneficial owner is 中國海外貿易總公司 (China National Overseas Trading Corporation[#]), a stated owned company. Mr. He Chenguang, the chairman of the Board and an executive Director, is the legal representative of CCC.

China Communication Heilongjiang and 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. China Communication Heilongjiang Bin County Branch and China Communication Heilongjiang Mudanjiang are branch companies of China Communication Heilongjiang.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) for the transactions contemplated under the CCT Agreements, when aggregated is, on an annual basis, expected to be more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the entering into of the CCT Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

Mr. He Chenguang, the chairman of the Board and an executive Director, is the legal representative of CCC and is therefore considered having a material interest in the transactions contemplated under the CCT Agreements and has abstained from voting at the Board's meeting approving the CCT Agreements.

GENERAL

The Independent Board Committee (which consists all the independent non-executive Directors) has been established to consider the terms of the CCT Agreements and to advise the Independent Shareholders as to whether the terms of the CCT Agreements, including their respective annual caps, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same to be given by the independent financial adviser. The Company has appointed Nuada Limited as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the CCT Agreements, including their respective annual caps and the transactions contemplated thereunder.

The EGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

A circular containing, among other things, further details of the CCT Agreements and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the CCT Agreements and a notice convening the EGM is expected to be despatched to the Shareholders on or before 6 March 2018 in compliance with the GEM Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 9 March 2015, 9 December 2015 and 30 November 2017 in relation to, among other things, the Existing CCT Agreements.

As the Existing CCT Agreements will be expired on 31 March 2018, the Company and the counterparties had agreed to, subject to approval by the Independent Shareholders at the EGM, renew the Existing CCT Agreements. In addition, the Group has also entered into the Heilongjiang Operation and Management Contract which will become effective on 1 April 2018.

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- (iii) Heilongjiang Shentong Server Hosting Agreement;
- (iv) China Communication Heilongjiang Bin County Branch Venue Rental Contract;
- (v) Harbin China Communication Skill Training Venue Rental Agreement;
- (vi) Heilongjiang Shentong Web Advertising Contract;
- (vii) Yijia Customer Service Hotline Rental Contract;
- (viii) Yijia Server Hosting Agreement;
- (ix) Shentong Card Management and Sales Contract;
- (x) Yijia Web Advertising Contract; and
- (xi) Heilongjiang Operation and Management Contract.

Details of the CCT Agreements are set out below:

(i) Heilongjiang Shentong CRC Shentong Card Payment System Contract

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Heilongjiang Shentong as purchaser

Services: CCC shall provide Heilongjiang Shentong with 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.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable automatically for three years.

Pricing basis: Heilongjiang Shentong shall pay a fee to CCC which is calculated as 6% of its overall income (including income from training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system.

CCC had paid RMB4.5 million (equivalent to approximately HK\$5.54 million) of clearing security deposit (結算保證金) to Heilongjiang Shentong. CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven calendar days after the end of each month and CCC shall pay to Heilongjiang Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market regarding electronic payment service charge of payment service companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	2.93	4.11

The historical annual caps for the transactions under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	3.40	6.00 ^{Note}

Note: The annual caps were revised on 30 November 2017. For details, please refer to the announcement of the Company dated 30 November 2017.

The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong CRC Shentong Card Payment System Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	8.50	11.00	12.50

In arriving at the proposed annual caps under the Heilongjiang Shentong CRC Shentong Card Payment System Contract, the Directors have taken into account the following factors:

- (a) 6% of the historical revenues generated by the CRC Shentong Card;
- (b) the historical consolidated revenues generated via CRC Shentong Card for the nine months ended 31 December 2016 and 2017, representing a period to period increase of approximately 82.1%; and
- (c) based on the above historical growth rate of 82.1% for nine months ended 31 December 2017 as compared with the corresponding period in 2016, the conservative growth rates for the years ending 31 March 2019, 2020 and 2021 are expected to be approximately 41.7%, 29.4% and 13.6% respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(ii) Heilongjiang Shentong Customer Service Hotline Rental Contract

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Heilongjiang Shentong as purchaser

Services: CCC shall provide a designated national customer service hotline number 95130*** to Heilongjiang Shentong.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable for one year by CCC by serving a notice to Heilongjiang Shentong at least 30 days before expiry of the term.

Pricing basis:

CCC will charge Heilongjiang Shentong (i) an annual fee of RMB20,000 (equivalent to approximately HK\$24,600) which is on a pro-rata and 12-month-year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.074) per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK\$0.18) per minute for outgoing calls via internet through the “VoIP” (Voice-Over Internet Protocol) telephone system.

In cases new national standard rate is adopted, CCC will still charge Heilongjiang Shentong in accordance with the scaled-discount rates as stated in the agreement for the incoming calls. The scaled-discount rates for long distance incoming calls will not be changed. The annual fee and separate charges on long distance incoming calls and outgoing calls are made on normal commercial terms and determined with reference to the charges provided by several nationwide telecommunication operators. It was found that the pricing basis (including the fixed annual fee, the separate charges on long distance incoming calls and outgoing calls and the corresponding scaled-discount rates) under the Heilongjiang Shentong Customer Service Hotline Rental Contract is more favourable than those offered by other nationwide telecommunication operators. For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Heilongjiang Shentong Customer Service Hotline Rental Contract, CCC provides monthly summary of the incoming calls and outgoing calls, including but not limited to the telephone numbers of the incoming calls and outgoing calls, calling and ending time of each call, duration of each call, and charging rate of each call. Heilongjiang Shentong performs calculation check and reviews the charging rates each month to ensure that the transactions are within the framework of the Heilongjiang Shentong Customer Service Hotline Rental Contract. CCC and Heilongjiang Shentong will then sign on a statement to confirm the agreed charge each month.

The annual fee shall be payable by Heilongjiang Shentong on 31 March for each of the three years ending 31 March 2019, 2020 and 2021, whereas the calling charges shall be settled by Heilongjiang Shentong monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Heilongjiang Shentong under the Heilongjiang Shentong Customer Service Hotline Rental Contract will be returned to Heilongjiang Shentong on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Heilongjiang Shentong fail to pay the service fee payable on time.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	1.83	1.73

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	2.20	2.40

The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Customer Service Hotline Rental Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	2.90	3.30	3.60

In arriving at the proposed annual caps under the Heilongjiang Shentong Customer Service Hotline Rental Contract, the Directors have taken into account the following factors:

- (a) the usage of approximately 290,000 minutes for incoming calls and 360,000 minutes for outgoing calls per month for the nine months ended 31 December 2017; and
- (b) based on the historical growth rate of approximately 31.6% for nine months ended 31 December 2017 as compared with the corresponding period in 2016, the conservative growth rates for the years ending 31 March 2019, 2020 and 2021 are expected to be approximately 20.8%, 13.8% and 9.1% respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(iii) Heilongjiang Shentong Server Hosting Agreement

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Heilongjiang Shentong as purchaser

Services: (a) Server hosting service

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.

(b) Dedicated leased-lines

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.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable by Heilongjiang Shentong by serving a notice to CCC prior to expiry of the term.

Pricing basis: CCC will charge Heilongjiang Shentong a fee of RMB80,000 (equivalent to approximately HK\$98,400) per month for each server used by Heilongjiang Shentong for the provision of server hosting service and dedicated leased-lines which shall be payable quarterly in advance.

A daily default interest rate of 0.3% on the outstanding amount payable will be accrued should Heilongjiang Shentong fail to pay the outstanding amount payable within five business days from the date of receipt of the relevant demand note.

The annual server rental fee is in commercial terms determined after arm's length negotiation between CCC and the Group with reference to similar transactions carried out in the market and the number of server rented, the bandwidth of the server and the quality of the maintenance service. The above pricing basis was determined on an arm's length basis in the ordinary course of business and on normal commercial terms and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Heilongjiang Shentong Server Hosting Agreement for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	6.61	5.62

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Server Hosting Agreement for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	9.60	9.60

The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Server Hosting Agreement are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	8.64	9.60	10.56

In arriving at the proposed annual caps under the Heilongjiang Shentong Server Hosting Agreement, the Directors have taken into account the following factors:

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$98,400) per month for each server used;
- (b) the estimated number of servers required for the years ending 31 March 2019, 2020 and 2021 of 9, 10 and 11 respectively; and
- (c) the usage of 8 servers for the nine months ended 31 December 2017.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(iv) China Communication Heilongjiang Bin County Branch Venue Rental Contract

Date:	9 February 2018
Parties:	(i) China Communication Heilongjiang Bin County Branch as supplier; and (ii) Heilongjiang Shentong as purchaser
Services:	China Communication Heilongjiang Bin County Branch shall provide venue to Heilongjiang Shentong for the holding of competition and training, including the electricity supplies to and cleaning of the venue.
Term:	Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable by Heilongjiang Shentong by serving a notice to China Communication Heilongjiang Bin County Branch prior to expiry of the term.
Pricing basis:	China Communication Heilongjiang Bin County Branch shall charge Heilongjiang Shentong a rental rate of RMB25,000 (equivalent to approximately HK\$30,750) per hour. The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions between the supplier and independent third parties, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	0.08	0.10

The historical annual caps for the transactions under the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	0.70	0.75

The Directors have been monitoring the transaction amount under the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the China Communication Heilongjiang Bin County Branch Venue Rental Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	1.00	1.20	1.32

In arriving at the proposed annual caps under the China Communication Heilongjiang Bin County Branch Venue Rental Contract, the Directors have taken into account the following factors:

- (a) based on the recent rapid development of Heilongjiang Shentong, the self owned venues will not be able to meet the rapidly growing demand in the near future and increased renting of external venue for training and competition are expected for the three years ending 31 March 2021;
- (b) the contract price of RMB25,000 (equivalent to approximately HK\$30,750) per hour; and
- (c) the estimated hours to be leased for the years ending 31 March 2019, 2020 and 2021 of 40, 48 and 53 respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(v) Harbin China Communication Skill Training Venue Rental Agreement

Date: 9 February 2018

Parties: (i) Harbin China Communication Skill Training as supplier; and
(ii) Heilongjiang Shentong as purchaser

Services: Harbin China Communication Skill Training shall provide venue to Heilongjiang Shentong for the holding of conferences, training and other activities, including the electricity supplies to and cleaning of the venue.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable by Heilongjiang Shentong by serving a notice to Harbin China Communication Skill Training prior to expiry of the term.

Pricing basis: Harbin China Communication Skill Training shall charge Heilongjiang Shentong:

- (i) accommodation charge at daily rate ranging from RMB318 to RMB1,888 (equivalent to approximately HK\$391 to HK\$2,322) 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 (equivalent to approximately HK\$2,214 to HK\$6,150) for every four hours with a discount of 20% to 50% according to different level of management authority; and
- (iii) food and beverage and supportive services charged on actual usage based on a pre-determined services fees.

The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions between the supplier and independent third parties, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Harbin China Communication Skill Training Venue Rental Agreement for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	0.048	0

The historical annual caps for the transactions under the Existing Harbin China Communication Skill Training Venue Rental Agreement for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	0.055	0.065

The Directors have been monitoring the transaction amount under the Existing Harbin China Communication Skill Training Venue Rental Agreement to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Harbin China Communication Skill Training Venue Rental Agreement for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Harbin China Communication Skill Training Venue Rental Agreement are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	1.00	1.20	1.32

In arriving at the proposed annual caps under the Harbin China Communication Skill Training Venue Rental Agreement, the Directors have taken into account the following factors:

- (a) based on the recent rapid development of Heilongjiang Shentong, the self owned venues will not be able to meet the rapidly growing demand in the near future and increased renting of external venue for conference, training and competition are expected for the three years ending 31 March 2021; and
- (b) the estimated number of days of activities to be held in the venues in concern for the years ending 31 March 2019, 2020 and 2021 of 30, 35 and 40 respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(vi) Heilongjiang Shentong Web Advertising Contract

Date: 9 February 2018

Parties: (i) China Communication Heilongjiang as supplier; and
(ii) Heilongjiang Shentong as purchaser

Services: 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.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable by Heilongjiang Shentong by serving a notice to China Communication Heilongjiang prior to expiry of the term.

Pricing basis: China Communication Heilongjiang shall charge Heilongjiang Shentong for each advertisement to be placed by Heilongjiang Shentong, which shall be determined according to the proposed publication timeslots and duration as follows:

- (i) from 08:20 to 12:19 (i.e. 4 hours in total), RMB14,000 (equivalent to approximately HK\$17,220) per day for the 4-hour period with a discount of 35%;

- (ii) from 12:20 to 15:19 (i.e. 3 hours in total), RMB12,000 (equivalent to approximately HK\$14,760) per day for the 3-hour period with a discount of 35%;
- (iii) from 15:20 to 19:19 (i.e. 4 hours in total), RMB15,000 (equivalent to approximately HK\$18,450) per day for the 4-hour period with a discount of 35%;
- (iv) from 19:20 to 22:19 (i.e. 3 hours in total), RMB18,800 (equivalent to approximately HK\$23,124) per day for the 3-hour period with a discount of 35%; and
- (v) from 22:20 to 01:19 (i.e. 3 hours in total), RMB10,000 (equivalent to approximately HK\$12,300) per day for the 3-hour period with a discount of 35%.

The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions between the supplier and independent third parties, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Heilongjiang Shentong Web Advertising Contract for the relevant periods are set out below:

	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	1.62	1.63

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Web Advertising Contract for the two years ending 31 March 2018 are set out below:

	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	2.25	2.45

The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract to ensure the annual caps for the year ended 31 March 2017 has not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Web Advertising Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	2.70	3.00	3.30

In arriving at the proposed annual caps under the Heilongjiang Shentong Web Advertising Contract, the Directors have taken into account the following factors:

- (a) the average contract price of RMB13,960 (equivalent to approximately HK\$17,171) per section with a discounted price of RMB9,074 (equivalent to approximately HK\$11,161) per section; and
- (b) the estimated number of sections to be used for the years ending 31 March 2019, 2020 and 2021 of 300, 330 and 360 respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(vii) Yijia Customer Service Hotline Rental Contract

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Shentong Yijia as purchaser

Services: CCC shall provide a designated national customer service hotline number 95130*** to Shentong Yijia.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable for one year by CCC by serving a notice to Shentong Yijia at least 30 days before expiry of the term.

Pricing basis: CCC will charge Shentong Yijia (i) an annual fee of RMB20,000 (equivalent to approximately HK\$24,600) which is on a pro-rata and 12-month-year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.074) per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK\$0.18) per minute for outgoing calls via internet through the “VoIP” (Voice-Over Internet Protocol) telephone system.

In case new national standard rate is adopted, CCC will still charge Shentong Yijia in accordance with the scaled-discount rates as stated in the agreement for the incoming calls. The scaled-discount rates for long distance incoming calls will not be changed. The annual fee and separate charges on long distance incoming calls and outgoing calls are made on normal commercial terms and determined with reference to the charges provided by several nationwide telecommunication operators. It was found that the pricing basis (including the fixed annual fee, the separate charges on long distance incoming calls and outgoing calls and the corresponding scaled-discount rates) under the Yijia Customer Service Hotline Rental Contract is more favourable than those offered by other nationwide telecommunication operators. For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Yijia Customer Service Hotline Rental Contract, CCC provides monthly summary of the incoming calls and outgoing calls, including but not limited to the telephone numbers of the incoming calls and outgoing calls, calling and ending time of each call, duration of each call, and charging rate of each call. Shentong Yijia performs calculation check and reviews the charging rates each month to ensure that the transactions are within the framework of the Yijia Customer Service Hotline Rental Contract. CCC and Shentong Yijia will then sign on a statement to confirm the agreed charge each month.

The annual fee shall be payable by Shentong Yijia on 31 March for each of the three years ending 31 March 2019, 2020 and 2021, whereas the calling charges shall be settled by Shentong Yijia monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Shentong Yijia under the Yijia Customer Service Hotline Rental Contract will be returned to Shentong Yijia on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the service fee payable on time.

The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market regarding customer service hotline rental charge of telecommunication Companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Yijia Customer Service Hotline Rental Contract for the relevant periods are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	1.40	1.36	1.04

The historical annual caps for the transactions under the Existing Yijia Customer Service Hotline Rental Contract for the three years ending 31 March 2018 are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	1.40	1.45	1.50

The Directors have been monitoring the transaction amount under the Existing Yijia Customer Service Hotline Rental Contract to ensure the annual caps for the two years ended 31 March 2017 have not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Yijia Customer Service Hotline Rental Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Yijia Customer Service Hotline Rental Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	1.50	1.60	1.70

In arriving at the proposed annual caps under the Yijia Customer Service Hotline Rental Contract, the Directors have taken into account the following factors:

- (a) the usage of approximately 170,000 minutes for incoming calls and 150,000 minutes for outgoing calls per month for the nine months ended 31 December 2017;
- (b) the actual historical transaction amount under the Existing Yijia Customer Service Hotline Rental Contract of approximately RMB0.12 million (equivalent to approximately HK\$0.15 million) per month for the two years ended 31 March 2017; and
- (c) the conservative annual growth rates of approximately 6–7%.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(viii) Yijia Server Hosting Agreement

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Shentong Yijia as purchaser

Services:**(a) Server hosting service**

CCC will provide server equipment to Shentong Yijia, and Shentong Yijia will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to Shentong Yijia.

(b) Dedicated leased-lines

CCC will provide designated 300M bandwidth share of the broadband leased lines to Shentong Yijia for the operation of its website. CCC will also provide 90 IP addresses and not more than 7 racks of servers for the use of Shentong Yijia. CCC will also supply 2,200W (10A) electricity for each rack of servers rented to Shentong Yijia.

Term:

Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable for one year by Shentong Yijia by serving a notice to CCC at least 30 days before expiry of the term.

Pricing basis:

CCC will charge Shentong Yijia a fee of RMB80,000 (equivalent to approximately HK\$98,400) per month for each server used by Shentong Yijia for the provision of server hosting service and dedicated leased-lines which shall be payable quarterly in advance.

A daily default interest rate of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the outstanding amount payable within five business days from the date of receipt of the relevant demand note.

The annual server rental fee is in commercial terms determined after arm's length negotiation between CCC and the Group with reference to similar transactions carried out in the market and the number of server rented, the bandwidth of the server and the quality of the maintenance service. The above pricing basis was made on an arm's length basis in the ordinary course of business and on normal commercial terms and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Yijia Server Hosting Agreement for the relevant periods are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	6.72	6.72	5.04

The historical annual caps for the transactions under the Existing Yijia Server Hosting Agreement for the three years ending 31 March 2018 are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	8.40	8.40	8.40

The Directors have been monitoring the transaction amount under the Existing Yijia Server Hosting Agreement to ensure the annual caps for the two years ended 31 March 2017 have not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Yijia Server Hosting Agreement for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Yijia Server Hosting Agreement are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	6.72	6.72	6.72

In arriving at the proposed annual caps under the Yijia Server Hosting Agreement, the Directors have taken into account the following factors:

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$98,400) per month for each server used;

- (b) the estimated number of servers required for the years ending 31 March 2019, 2020 and 2021 of 7, 7 and 7 respectively; and
- (c) the usage of 7 servers for the nine months ended 31 December 2017.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(ix) Shentong Card Management and Sales Contract

Date: 9 February 2018

Parties: (i) Shentong Yijia as supplier; and
(ii) CCC as purchaser

Services: The services to be provided by Shentong Yijia to CCC include:

- (i) management and sale of the Designated Shentong Cards;
- (ii) assisting CCC in the after-sale services for the Designated Shentong Card;
- (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.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable automatically for three years.

Pricing basis:

- (a) Issuance handling fees of RMB5 (equivalent to approximately HK\$6.15) for each Designated Shentong Card issued by Shentong Yijia;
- (b) sale commission of RMB3 (equivalent to approximately HK\$3.69) for the insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia;
- (c) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Shentong Yijia; and

- (d) sale commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products.

The above issuance handling fees and the commissions shall be settled by CCC monthly in arrears.

For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Shentong Card Management and Sales Contract, CCC will provide monthly summary of the income and the breakdown, including (a) a report of the number of Designated Shentong Card issued (with individual Designated Shentong Card Number), and (b) various reports of value of purchases made by each individual Designated Shentong Card and the time of usage. Shentong Yijia performs calculation check and reviews the charging rate to ensure that it is within the framework of the Shentong Card Management and Sales Contract. CCC and Shentong Yijia will then sign on a statement to confirm the agreed charge each month.

Shentong Yijia is the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards. There is no comparable service in the market. The insurance handling fees and the relevant commission determined after arm's length negotiation between CCC and the Group in the ordinary course of business and on normal commercial terms.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Shentong Card Management and Sales Contract for the relevant periods are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	28.63	27.28	19.45

The historical annual caps for the transactions under the Existing Shentong Card Management and Sales Contract for the three years ending 31 March 2018 are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	41.00	42.00	43.00

The Directors have been monitoring the transaction amount under the Existing Shentong Card Management and Sales Contract to ensure the annual caps for the two years ended 31 March 2017 have not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Shentong Card Management and Sales Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Shentong Card Management and Sales Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	27.00	29.00	31.00

In arriving at the proposed annual caps under the Shentong Card Management and Sales Contract, the Directors have taken into account the following factors:

- (a) the actual historical transaction amount under the Existing Shentong Card Management and Sales Contract of approximately RMB2.3 million (equivalent to approximately HK\$2.83 million) per month for the two years ended 31 March 2017; and
- (b) the conservative annual growth rates of approximately 7%.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(x) Yijia Web Advertising Contract

Date: 9 February 2018

Parties: (i) CCC as supplier; and
(ii) Shentong Yijia as purchaser

Services: Shentong Yijia agreed to place and CCC agreed to arrange for the web advertisements of Shentong Yijia be published on the website of CCC “Shentong Net”. 24-hour technical support services shall also be provided by CCC to Shentong Yijia to handle all technical issues arising out the publication of the advertisements.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable by Shentong Yijia by serving a notice CCC prior to expiry of the term.

Pricing basis: CCC shall charge Shentong Yijia for each advertisement to be placed by Shentong Yijia, the advertising arrangement and the payment methods of which shall be determined based on mutual agreement of Shentong Yijia and CCC to be reached at least three (3) days prior to the publication of the relevant advertisement.

Shentong Yijia confirms that the advertising fees to be charged by CCC for each advertisement to be placed by Shentong Yijia shall be determined according to the proposed publication timeslots, duration, channels etc. and shall be determined based on the prevailing charging rates and are no less favourable than terms available to independent third parties, and will be agreed upon by the parties according to the relevant advertising proposal to be provided by Shentong Yijia.

Shentong Yijia is engaged in the provision of the distribution and management services of the Designated Shentong Cards which include following up with enquiries and/or complaints raised by the users of the Designated Shentong Card, customer management services and promotion and marketing of the Designated Shentong Card. Shentong Yijia has full control in relation to the promotion and marketing activities of the Designated Shentong Cards. Since the Designated Shentong Card is solely used in the Shentong Net, placing advertisements on the Shentong Net is considered to be the most effective.

There is no similar transaction conducted between the Group and other independent third parties for the reasons stated above. CCC charges standard advertising fee for web advertisements. Shentong Yijia has performed comparison in other channels and found that the prices set by CCC is favorable to Shentong Yijia.

The pricing basis was determined after arm's length negotiation between CCC and the Group in the ordinary course of business and on normal commercial terms and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Yijia Web Advertising Contract for the relevant periods are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the nine months ended 31 December 2017 (RMB million)
Actual transaction amounts	4.78	4.86	3.60

The historical annual caps for the transactions under the Existing Yijia Web Advertising Contract for the three years ending 31 March 2018 are set out below:

	For the year ended 31 March 2016 (RMB million)	For the year ended 31 March 2017 (RMB million)	For the year ending 31 March 2018 (RMB million)
Historical annual caps	5.00	5.00	5.00

The Directors have been monitoring the transaction amount under the Existing Yijia Web Advertising Contract to ensure the annual caps for the two years ended 31 March 2017 have not been exceeded. As at the date of this announcement, the annual caps for the transaction amount under the Existing Yijia Web Advertising Contract for the year ending 31 March 2018 have not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Yijia Web Advertising Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	5.30	5.60	6.00

In arriving at the proposed annual caps under the Yijia Web Advertising Contract, the Directors have taken into account the following factors:

- (a) the actual historical transaction amount under the Existing Yijia Web Advertising Contract of approximately RMB0.40 million (equivalent to approximately HK\$0.49 million) per month for the two years ended 31 March 2017; and
- (b) the conservative growth rates for the years ending 31 March 2019, 2020 and 2021 are expected to be approximately 6.0%, 5.7% and 7.1% respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

(xi) Heilongjiang Operation and Management Contract

Date: 9 February 2018

Parties: (i) China Communication Heilongjiang Mudanjiang as supplier;
and
(ii) Heilongjiang Shentong as purchaser

Services: The services to be provided by China Communication Heilongjiang Mudanjiang to Heilongjiang Shentong include:

- (i) user management and development in venues;
- (ii) communication with schools and relevant governmental authorities;
- (iii) venue safety, facilities maintenance, organisation of competitions;

- (iv) handling of user complaints under the supervision of Heilongjiang Shentong and the relevant governmental authorities; and
- (v) local marketing and promotion.

China Communication Heilongjiang Mudanjiang is required to use the CRC Shentong Card integrated payment management system to manage all user information and use the CRC Shentong Card as the only payment channel within the venue.

The tutors, trainers and referees hired by China Communication Heilongjiang Mudanjiang must be holding the required professional qualifications by the relevant national authorities before they may commence their duties.

The various athletes nominated by China Communication Heilongjiang Mudanjiang must have obtained the relevant national authentications.

Term: Subject to approval by the Independent Shareholders (if required), the term shall be the period commencing on 1 April 2018 and ending on 31 March 2021 and, subject to compliance with the GEM Listing Rules, renewable automatically for three years.

Pricing basis: 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.

The above pricing basis was determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms.

Historical transaction amounts and annual caps

The Heilongjiang Operation and Management Contract is a new contract and there is no transaction for similar services between the Group and China Communication Heilongjiang Mudanjiang as at the date of this announcement.

Proposed annual caps

For each of the three years ending 31 March 2021, the proposed maximum annual aggregate transaction amounts under the Shentong Card Management and Sales Contract are set out below:

	For the year ending 31 March 2019 (RMB million)	For the year ending 31 March 2020 (RMB million)	For the year ending 31 March 2021 (RMB million)
Proposed annual caps	0.90	1.20	1.40

In arriving at the proposed annual caps under the Heilongjiang Operation and Management Contract, the Directors have taken into account the following factors:

- (a) the expected overall income of approximately RMB0.5 million (equivalent to approximately HK\$0.62 million) per month for the year ending 31 March 2019; and
- (b) the growth rates for the years ending 31 March 2020 and 2021 are expected to be approximately 33.3% and 16.7% respectively.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) are of the view that the basis of determining the proposed annual caps is fair and reasonable.

OTHER AGREEMENT INVOLVING CCC

On 9 February 2018, Heilongjiang Shentong (as lessee), an indirect wholly owned subsidiary of the Company, and Heilongjiang Navigation (as lessor) entered into the Office Tenancy Agreement in respect of an office unit located at 7/F, Yuandong Building[#] (遠東大廈), No. 18 Hengshan Road, Xiangfang District, Harbin City, Heilongjiang Province, the PRC. The term shall be from 1 April 2018 and ending on 31 March 2021 and may be terminated by either party by giving the other a notice of 3 months. The rental fees are RMB1,028,500, RMB1,054,200 and RMB1,131,300 for the years ending 31 March 2019, 2020 and 2021 respectively and payable annually in advance. The rental fees are inclusive of all water supply, electricity, heat supply and properties expenses. The above rental fees were determined after negotiations on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to the rental fees of comparable properties in the same district obtained through the Company's enquiries with estate agents. The Directors are of the view that the basis of determining the proposed annual caps is fair and reasonable.

Heilongjiang Navigation is a company established in the PRC with limited liability, approximately 7.5% of issued share capital of which is held by China Communication Helongjiang, a wholly-owned subsidiary of CCC, whereas the remaining 92.5% of its issued share capital is owned by two Independent Third Parties. Mr. He Chenguang, the chairman of the Board and an executive Director, is the legal representative, the chairman of the board and one of the five directors of Heilongjiang Navigation. As CCC only entitles to exercise

less than 30% voting rights in Heilongjiang Navigation and have no control over the composition of the board of directors of Heilongjiang Navigation, Heilongjiang Navigation is not an associate of CCC. To the best of the Directors' knowledge, information and belief having all reasonable enquiries, save as disclosed above, each of Heilongjiang Navigation and its ultimate beneficial owners and their respective associates is independent of and not connected to the Company and its connected persons, and Heilongjiang Navigation is considered to be Independent Third Party.

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

The Group is principally engaged in (i) the provision of promotion and management services for Designated Shentong Card in the PRC; and (ii) the provision of quality education (education and training courses) relating to robotics standardisation by CRC using an electronic smart card "CRC Shentong Card" as main payment medium, as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC.

CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, value-added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" (神通卡) platform.

China Communication Heilongjiang, a company established in the PRC with limited liability, is a wholly-owned subsidiary of CCC.

Harbin China Communication Skill Training, a company established in the PRC with limited liability, is a wholly-owned subsidiary of CCC.

China Communication Heilongjiang Bin County Branch is a branch company of China Communication Heilongjiang.

China Communication Heilongjiang Mudanjiang is a branch company of China Communication Heilongjiang.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE CCT AGREEMENTS

The Group's revenue was mainly attributable to (i) the provision of quality education (education and training courses) relating to robotics standardisation by CRC using an electronic smart card "CRC Shentong Card" as main payment medium, as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC (the "**CRC Education Business**") and (ii) the provision of promotion and management services of electronic smart card "Designated Shentong Card" in the PRC (the "**Shentong Card Business**").

Amongst the CCT Agreements, (i) the Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Heilongjiang Shentong Server Hosting Agreement; (iv) the China Communication Heilongjiang Bin County Branch Venue Rental Contract; (v) the Harbin China Communication Skill Training Venue Rental Agreement; (vi) Heilongjiang Shentong Web

Advertising Contract; and (vii) the Heilongjiang Operation and Management Contract are conducted in the ordinary course of and are essential to the operations of the CRC Education Business.

Amongst the CCT Agreements, (i) the Yijia Customer Service Hotline Rental Contract; (ii) the Yijia Server Hosting Agreement; (iii) the Shentong Card Management and Sales Contract; and (iv) the Yijia Web Advertising Contract are conducted in the ordinary course of and are essential to the operations of the Shentong Card Business.

As disclosed in the 2017 interim report of the Company, the Group is the only enterprise authorised to host CRC events and provide related CRC education and training (collectively, the “**CRC Quality Education**”) in Heilongjiang Province. By organising a diversified series of CRC events in Heilongjiang Province, the Group effectively promoted the popularity and development of quality robot education, and successfully created a new source of revenues. As the CRC Shentong Card that the Group promote is the only smart comprehensive educational billing card in the PRC used for payment and smart management in connection with CRC events and CRC Quality Education, the overall income (including income from training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system is accordingly benefited by the aforesaid new source of revenues from the CRC events and CRC Quality Education.

As the CRC Quality Education in Heilongjiang Province becomes a key driver of the Group’s business growth, the Directors are of the view that it is beneficial to the Group to renew the CCT Agreements related to the CRC Education Business.

Shentong Cards are one of the electronic smart cards and online gateway payment service businesses in the PRC. The Designated Shentong Cards are Shentong Cards currently managed by the Group, and are preloaded with insurance policies, which can be used to pay for insurances from various insurance companies. The Designated Shentong Cards can also be used for payment of mobile and fixed line phone recharge fees, online trading fees and other telecommunication value-added services.

The Group’s Shentong Card Business was relatively stable, the turnover generated from Shentong Card Business had decreased by approximately 9.3% for the year ended 31 March 2017 as compared to the year ended 31 March 2016. For the nine months ended 31 December 2017, the unaudited turnover had decreased by approximately 8.6% as compared to the same period in 2016. As such, the Directors are of the view that it is beneficial to the Group to renew the CCT Agreements related to the Shentong Card Business.

Furthermore, the Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) also considered the terms under the CCT Agreements no less favourable than terms that the Group may get from independent third parties and the annual caps would allow the Group to increase its supply to long term and reliable customers, thereby expanding its overall revenue.

Based on the above, the Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) consider that the entering into of the CCT Agreements are in

the ordinary course of business of the Group and that the terms of the CCT Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

CCC is a connected person to the Company by virtue of its interest in approximately 24.90% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is 中國海外貿易哈爾濱王子葡萄酒有限公司 (China Overseas Trade Harbin Province Wine Co. Limited[#]), a company incorporated in the PRC with limited liability) and its ultimate beneficial owner is 中國海外貿易總公司 (China National Overseas Trading Corporation[#]), a stated owned company. Mr. He Chenguang, the chairman of the Board and an executive Director, is the legal representative of CCC.

China Communication Heilongjiang and 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. China Communication Heilongjiang Bin County Branch and China Communication Heilongjiang Mudanjiang are branch companies of China Communication Heilongjiang.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) for the transactions contemplated under the CCT Agreements, when aggregated is, on an annual basis, expected to be more than 5% and the aggregate annual consideration is more than HK\$10,000,000, the entering into of the CCT Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

Mr. He Chenguang, the chairman of the Board and an executive Director, is the legal representative of CCC and is therefore considered having a material interest in the transactions contemplated under the CCT Agreements and has abstained from voting at the Board's meeting approving the CCT Agreements.

GENERAL

The Independent Board Committee (which consists all the independent non-executive Directors) has been established to consider the terms of the CCT Agreements and to advise the Independent Shareholders as to whether the terms of the CCT Agreements, including their respective annual caps, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same to be given by the independent financial adviser. The Company has appointed Nuada Limited as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the CCT Agreements, including their respective annual caps and the transactions contemplated thereunder.

The EGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

A circular containing, among other things, further details of the CCT Agreements and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the CCT Agreements and a notice convening the EGM is expected to be despatched to the Shareholders on or before 6 March 2018 in compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“CCC”	神州通信集團有限公司 (China Communication Group Co., Ltd. [#]), a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in approximately 24.90% of the issued share capital of the Company through CCI, its wholly-owned subsidiary
“CCI”	神州通信投資有限公司 (China Communication Investment Limited [#]), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CCC
“CCT Agreements”	collectively, (i) the Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Heilongjiang Shentong Server Hosting Agreement; (iv) the China Communication Heilongjiang Bin County Branch Venue Rental Contract; (v) the Harbin China Communication Skill Training Venue Rental Agreement; (vi) the Heilongjiang Shentong Web Advertising Contract; (vii) the Yijia Customer Service Hotline Rental Contract; (viii) the Yijia Server Hosting Agreement; (ix) the Shentong Card Management and Sales Contract; (x) the Yijia Web Advertising Contract; and (xi) the Heilongjiang Operation and Management Contract
“China Communication Heilongjiang”	神州通信黑龍江有限公司 (China Communication Heilongjiang Co., Ltd. [#]), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of CCC
“China Communication Heilongjiang Bin County Branch”	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 [#]), a branch company of China Communication Heilongjiang

“China Communication Heilongjiang Bin County Branch Venue Rental Contract”	the venue rental contract [#] (場地租賃合同) dated 9 February 2018 entered into between China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong
“China Communication Heilongjiang Mudanjiang”	神州通信黑龍江有限公司牡丹江公司 (China Communication Heilongjiang Co., Ltd. Mudanjiang Company [#]), a branch company of China Communication Heilongjiang
“Company”	Shentong Robot Education Group Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“CRC”	China Robot Competition [#] (全國素質體育機器人運動會)
“CRC Shentong Cards”	an electronic smart card “Shentong Card” (神通卡) for use in payment for education and training courses in relation to CRC
“Designated Shentong Card(s)”	the designated “Shentong Card(s)” preloaded with certain insurance products of CCC
“Director(s)”	the director(s) of the Company, from time to time
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the CCT Agreements and the transactions contemplated thereunder
“Existing CCT Agreements”	collectively, (i) the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Existing Heilongjiang Shentong Server Hosting Agreement; (iv) the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract; (v) the Existing Harbin China Communication Skill Training Venue Rental Agreement; (vi) the Existing Heilongjiang Shentong Web Advertising Contract; (vii) the Existing Yijia Customer Service Hotline Rental Contract; (viii) the Existing Yijia Server Hosting Agreement; (ix) the Existing Shentong Card Management and Sales Contract; and (x) the Existing Yijia Web Advertising Contract
“Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract”	the venue rental contract [#] (場地租賃合同) dated 1 March 2013 entered into between China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong (as amended and supplemented)

“Existing Harbin China Communication Skill Training Venue Rental Agreement”	the venue rental agreement [#] (場地租賃協議) dated 1 March 2013 entered into between Heilongjiang Shentong and Harbin China Communication Skill Training (as amended and supplemented)
“Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract”	the user management contract [#] (用戶管理合同) in relation to the CRC Shentong Card payment system dated 1 January 2013 entered into between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130*** 全國號碼租用合同) dated 1 January 2013 entered into between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Server Hosting Agreement”	the data centre server hosting service agreement [#] (數據中心主機托管服務協議) dated 1 January 2013 entered into between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Web Advertising Contract”	the network advertising cooperation contract [#] (網絡廣告合作合同) dated 1 March 2013 entered into between China Communication Heilongjiang and Heilongjiang Shentong (as amended and supplemented)
“Existing Yijia Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130*** 全國號碼租用合同) entered into between Shentong Yijia and CCC on 9 March 2015
“Existing Yijia Server Hosting Agreement”	the server hosting agreement [#] (數據中心主機托管服務協議) entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of server hosting service and the broadband leased line by CCC to Shentong Yijia
“Existing Shentong Card Management and Sales Contract”	the telecom financial and insurance products service contract [#] (電信金融保險產品服務合同書) entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of management service by Shentong Yijia to CCC regarding the Designated Shentong Cards
“Existing Yijia Web Advertising Contract”	the web advertising agreement [#] (網絡廣告發布合同) entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of advertising space by CCC to Shentong Yijia
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“Harbin China Communication Skill Training”	哈爾濱神州通信技能培訓有限公司 (Harbin China Communication Skill Training Co., Ltd [#]), a company established under the laws of PRC with limited liability and a wholly-owned subsidiary of CCC
“Harbin China Communication Skill Training Venue Rental Agreement”	the venue rental agreement [#] (場地租賃協議) dated 9 February 2018 entered into between Heilongjiang Shentong and Harbin China Communication Skill Training
“Heilongjiang Navigation”	黑龍江神州導航通信有限公司 (Heilongjiang China Navigation Communication Co., Ltd [#]), a company established under the laws of PRC with limited liability, an Independent Third Party
“Heilongjiang Operation and Management Contract”	the operation and management agreement [#] (素質體育委託運營管理服務合同) entered into on 9 February 2018 between China Communication Heilongjiang Mudanjiang and Heilongjiang Shentong in relation provision of operation and management services
“Heilongjiang Shentong”	黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Co., Ltd. [#]), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Heilongjiang Shentong CRC Shentong Card Payment System Contract”	the user management contract [#] (用戶管理合同) in relation to the CRC Shentong Card payment system dated 9 February 2018 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130*** 全國號碼租用合同) dated 9 February 2018 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Server Hosting Agreement”	the data centre server hosting service agreement [#] (數據中心主機托管服務協議) dated 9 February 2018 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Web Advertising Contract”	the network advertising cooperation contract [#] (網絡廣告合作合同) dated 9 February 2018 entered into between China Communication Heilongjiang and Heilongjiang Shentong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to the CCT Agreements

“Independent Shareholders”	Shareholders who are not interested in and are entitled to vote in the resolution in relation to the CCT Agreements and the transactions contemplated thereunder at the EGM
“Independent Third Party(ies)”	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Office Tenancy Agreement”	the property tenancy agreement [#] (房屋租賃合同) entered into on 9 February 2018 between Heilongjiang Navigation and Heilongjiang Shentong in relation to the leasing of office
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Shentong Card”	an electronic smart card “Shentong Card” (神通卡) for use in payment of insurances, mobile and fixed line phone recharge fees, online trading fees, or CRC education and training courses, which includes the CRC Shentong Card and/or the Designated Shentong Card
“Shentong Card Management and Sales Contract”	the telecom financial and insurance products service contract [#] (電信金融保險產品服務合同書) entered into between Shentong Yijia and CCC on 9 February 2018 in relation to the provision of management service by Shentong Yijia to CCC regarding the Designated Shentong Cards
“Shentong Yijia”	北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited [#]), a company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yijia Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130*** 全國號碼租用合同) entered into between Shentong Yijia and CCC on 9 February 2018

“Yijia Server Hosting Agreement”	the server hosting agreement [#] (數據中心主機托管服務協議) entered into between Shentong Yijia and CCC on 9 February 2018 in relation to the provision of server hosting service and the broadband leased line by CCC to Shentong Yijia
“Yijia Web Advertising Contract”	the web advertising agreement [#] (網絡廣告發布合同) entered into between Shentong Yijia and CCC on 9 February 2018 in relation to the provision of advertising space by CCC to Shentong Yijia
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

[#] English translation of the name for identification purpose only

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.23. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

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

As at the date of this announcement, 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, 9 February 2018

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.srobotedu.com.