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China Communication Telecom Services Company Limited
神通電信服務有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8206)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET GROUP (2) PROPOSED GRANT OF PLACING SPECIFIC MANDATE (3) PROPOSED GRANT OF SUBSCRIPTION SPECIFIC MANDATE AND CONNECTED TRANSACTION AND (4) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Financial adviser to the Company

CIMB

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Nuada Limited
Corporate Finance Advisory

THE ACQUISITION

The Board is pleased to announce that on 9 December 2015 (after trading hours), the Company and Profuse Year (being the Vendor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, being the entire issued share capital of the Target Company at the total consideration of HK$30 million. The Acquisition Completion is conditional upon, among other things, completion of the Placing(s) and the Subscription. Upon Acquisition Completion, the Target Group Companies will become wholly-owned subsidiaries of the Company.

The Consideration shall be payable by the Purchaser at HK$30 million. The Consideration is intended to be settled by the Company by using the proceeds to be raised in the Placing and the Subscription.

The Target Group is principally engaged in the promotion, sales and management services related to CRC Shentong Cards facilitated by the provision of education and training courses as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC, which are authorised by Heilongjiang General Administration of Sport (黑龍江省體育總局), a provincial organisation of the General Administration of Sport (國家體育總局) of the PRC, and regarded as the major marketing tool for the provision of the above services.

THE SERVICE AGREEMENT

On 21 November 2015, CCI and the Target Company entered into the Service Agreement, pursuant to which the Target Company agreed to pay CCI a service fee of HK$350,000,000 in connection with CCI having procured the following for the Target Company: (i) the exclusive right to use the CRC Shentong Card payment system in Heilongjiang Province of the PRC; and (ii) the exclusive right to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC.

The Service Fee is charged on an one-off basis will be paid by the Target Company to CCI within 360 days after the date of the Service Agreement, which payment is not subject to any condition precedent, is not conditional on the independent Shareholders' approval and the Acquisition Completion and is expected to commence after Acquisition Completion and accordingly be borne by the Enlarged Group.

The Service Fee is payable by the Target Company and is intended to be settled by the Enlarged Group by using the proceeds to be raised in the Placing and the Subscription. As such and together with the Consideration, the total payment obligation of the Company would be HK$380 million.

THE PLACING AND THE SUBSCRIPTION

Proposed Grant of Specific Mandates

In light of the Acquisition and the payment under the Service Agreement, the Directors will seek the approval of the Independent Shareholders at the EGM for the grant of the Placing Specific Mandate and the Subscription Specific Mandate to authorise the Directors to allot and issue the Placing Shares and the Subscription Shares. The proceeds from the Placing(s) and Subscription will primarily be used to settle the Consideration for the Acquisition and for payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general corporate purposes of the Group.

Placing Specific Mandate

The Board proposes to seek the grant of a Placing Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Placing Shares (i.e. up to an aggregate of not more than 670,809,083 new Shares) by way of one or more potential Placing(s). The Placing Shares represent: (i) approximately 51.81% of the existing issued share capital of the Company of 1,294,697,017 Shares as at the date of this announcement; and (ii) approximately 30.21% of the enlarged issued share capital of the Company of 2,220,444,365 Shares immediately after the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company).

Subscription Specific Mandate

The Board proposes to seek the grant of a Subscription Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Subscription Shares (i.e. up to an aggregate of not more than 254,938,265 new Shares) to CCI. The Subscription Shares represent: (i) approximately 19.69% of the existing issued share capital of the Company of 1,294,697,017 Shares as at the date of this announcement; and (ii) approximately 11.48% of the issued share capital of the Company of 2,220,444,365 Shares as enlarged by the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company).

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Acquisition Completion, the Target Company and the Target Subsidiaries will become subsidiaries of the Company, and accordingly certain ongoing transactions of the Target Group with the Parent Group will become continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Among others, it is expected that upon Acquisition Completion, the Non-Exempt Continuing Connected Transactions of the Target Group with the Parent Group will be subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, and written agreement(s) have been or will be entered into between the Target Group and the Parent Group in accordance with Rule 20.48 of the GEM Listing Rules on or before the Acquisition Completion.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios applicable to the Company in respect of the Acquisition exceeds 100%, the entering into of the Sale and Purchase Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, each of CCC, China Communication Heilongjiang, Harbin China Communication Skill Training and China Communication Heilongjiang Bin County Branch is an associate of CCI and is therefore a connected person of the Company. Accordingly, immediately upon Acquisition Completion, the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Since the annual caps under each of the Non-Exempt Continuing Connected Transactions represent more than 5% of the relevant applicable percentage ratios under the GEM Listing Rules and are expected to exceed HK$10 million, the Non-Exempt Continuing Connected Transactions and the proposed annual caps for the Non-Exempt Continuing Connected Transactions are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, Profuse Year and CCI are connected persons of the Company under Chapter 20 of the GEM Listing Rules by virtue of them being an associate of a substantial Shareholder (i.e. CCI) and a substantial Shareholder, respectively. Accordingly, the entering into of the Sale and Purchase Agreement and the Subscription constitute connected transactions of the Company pursuant to the GEM Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Furthermore, upon the Acquisition Completion, the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions of the Company pursuant to the GEM Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the Acquisition, the proposed grant of the Specific Mandates and the Non-Exempt Continuing Connected Transactions. The Company has appointed an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition and the issue of the Consideration to the Vendor are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

GENERAL

The Company will despatch a circular in accordance with the requirements under the GEM Listing Rules, which will contain, among other things: (i) further information on the Acquisition; (ii) further information on the proposed grant of the Placing Specific Mandate; (iii) further information on the proposed grant of the Subscription Specific Mandate; (iv) the Non-Exempt Continuing Connected Transactions; (v) the recommendations from the Independent Board Committee; (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to, among others, the Acquisition (including the accountants' report of the Target Group), the proposed grant of the Placing Specific Mandate and the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions; (vii) financial information of the Group; (viii) accountants' report of the Target Group; (ix) unaudited pro forma financial information of the Enlarged Group; (x) the letters from RSM Hong Kong, the auditors and reporting accountants of the Company, and CIMB Securities Limited, the financial advisor of the Company, in relation to the valuation of the Exclusive Rights of the Target Group, prepared by the Valuer on the basis of discounted cash flow method under the income-based approach, which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules; (xi) the valuation report of the Exclusive Rights of the Target Group; and (xii) notice of the EGM. The Company expects that the circular will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 December 2015, since it is expected that further time is required to finalise the contents and the reports to be included in the circular.

The Acquisition is subject to a number of conditions, including approval from the Independent Shareholders and the satisfaction and/or waiver of the conditions precedent in the Sale and Purchase Agreement, which may or may not be fulfilled and therefore the Acquisition Completion may or may not take place. As at the date of this announcement, the Company has not entered into any binding agreement with respect to the Placing(s) and Subscription proposed for the settlement of the Consideration. The terms and conditions of the Placing(s) and Subscription have not yet been finalised, and the Placing(s) and Subscription may or may not proceed subject to the then market conditions and the grant of the respective Specific Mandates from the Independent Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

1 VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET GROUP

The Board is pleased to announce that on 9 December 2015 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell, the Sale Shares, being the entire issued share capital of the Target Company at the total consideration of HK$30 million.

Acquisition Completion will be conditional upon the fulfilment or waiver of all the conditions precedent set out in the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Details of the terms and conditions of the Sale and Purchase Agreement are set out below.

Date

9 December 2015 (after trading hours)

Parties to the Sale and Purchase Agreement

Purchaser: The Company

Vendor: Profuse Year

Guarantor: CCI

Profuse Year directly holds 100% of the total issued share capital of the Target Company as at the date of this announcement. Profuse Year is a wholly-owned subsidiary of CCI, which in turn is a wholly-owned subsidiary of CCC, as at the date of this announcement. Profuse Year and CCI are therefore connected persons of the Company.

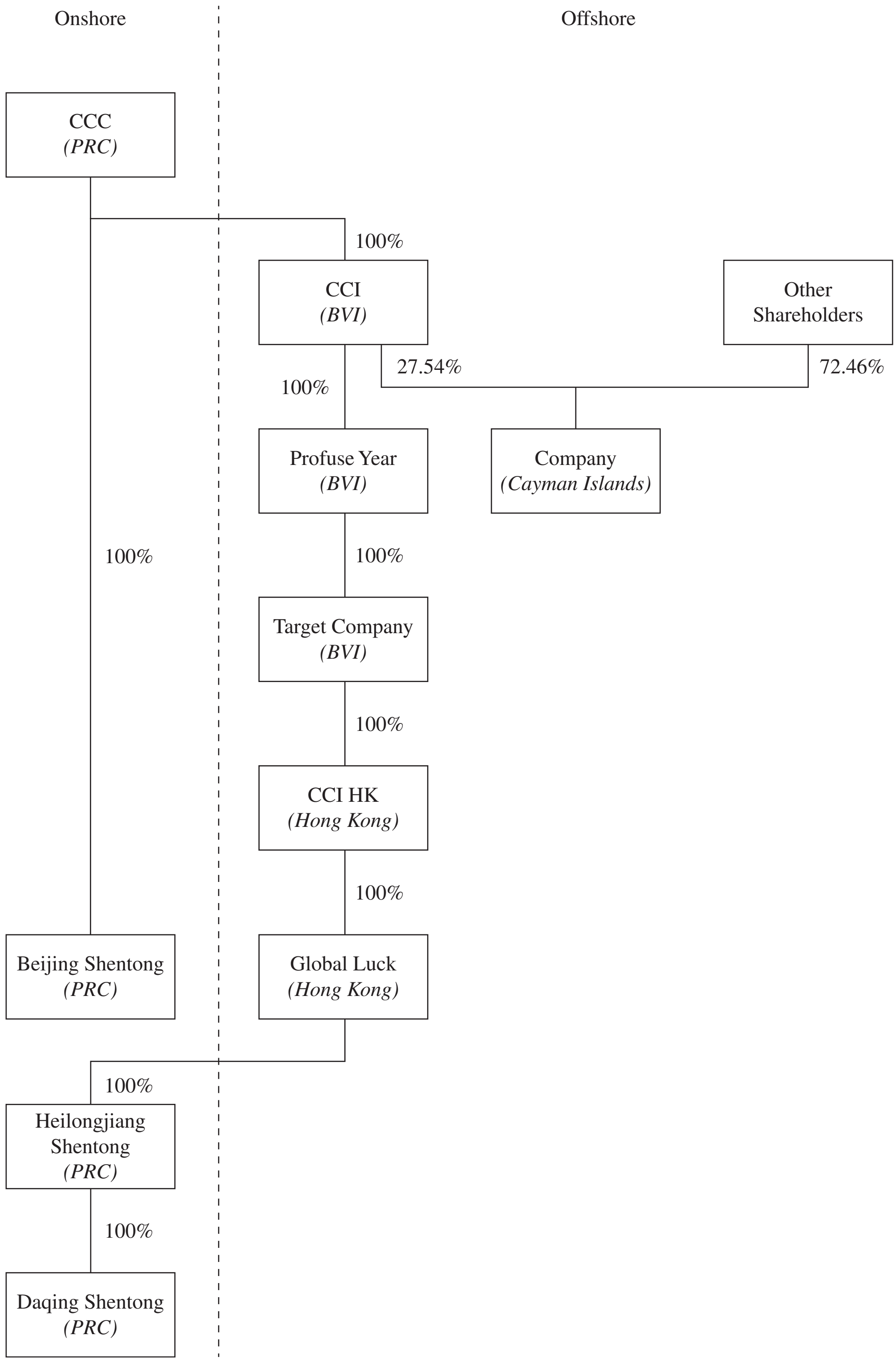
Subject matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, being the entire issued share capital of the Target Company, free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Acquisition Completion Date.

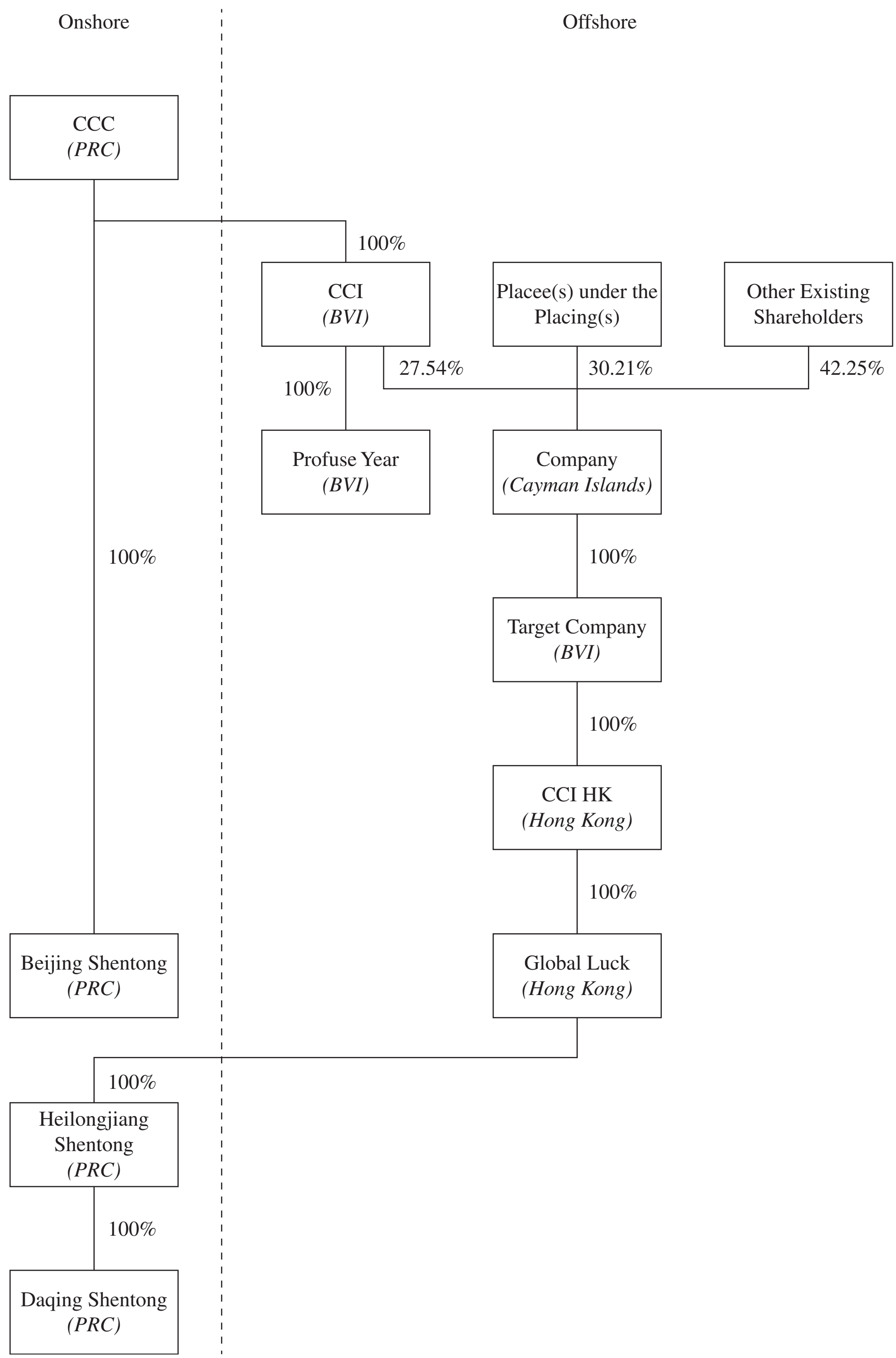
The Acquisition Completion is conditional upon, among other things, the completion of the Placing(s) and the Subscription.

Upon Acquisition Completion, the Target Company and the Target Subsidiaries will become wholly-owned subsidiaries of the Company.

Set out below is a corporate structure chart showing the structure of the Group and the Target Group immediately before the Acquisition Completion:



Set out below is a corporate structure chart showing the structure of the Enlarged Group immediately after the Acquisition Completion, assuming the issue of the maximum number of Placing Shares and Subscription Shares:



Consideration

The Consideration for the Acquisition is HK$30 million, which was determined after arm's length negotiations between the Purchaser and the Vendor having taken into account various factors, including but not limited to: (i) the unaudited after-tax profit of the Target Group for the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, being approximately HK$8.68 million, HK$24.33 million and HK$3.18 million, respectively; (ii) the future business prospects of the Target Group, the potential future earning capacity of the Target Group and the expected business synergy between the Group and the Target Group; (iii) the unaudited net asset value of the Target Group as at 31 March 2014 and 2015 and 30 June 2015, being HK$8.55 million, HK$33.75 million and HK$35.91 million, respectively; and (iv) the Company's obligation under the Sale and Purchase Agreement to fund the Target Company's obligation to pay to CCI the Service Fee under the Service Agreement, which payment will take place after Acquisition Completion, and the preliminary appraised value of the Exclusive Rights of the Target Group as at 21 November 2015 performed by the Valuer of not less than HK$350 million, details of which are set out below in the section titled "Service Agreement between CCI and the Target Company". The Directors consider that the Consideration is fair and reasonable taking into the aforesaid factors. The Consideration will be satisfied by the net proceeds of the Placing and the Subscription.

The Company's Obligation to fund the Service Fee

Pursuant to the Sale and Purchase Agreement, the Company has agreed to fund the Target Company's obligation to pay to CCI the Service Fee under the Service Agreement. The Company will use the net proceeds of the Placing(s) and the Subscription for payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion).

Based on the information provided by the Vendor, the Service Fee was determined by the Target Company and CCI taking into consideration the services performed by CCI, the valuation of the Exclusive Rights of the Target Group procured by CCI pursuant to the Service Agreement, and the commercial benefits that are expected to be brought to the Target Group. For details, please refer to the section titled "Service Agreement between CCI and the Target Company".

The preliminary appraised value of the Exclusive Rights of the Target Group as at 21 November 2015 is not less than HK$350 million. The valuation of the Exclusive Rights of the Target Group prepared by the Valuer was prepared on the basis of discounted cash flow method under the income-based approach, which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

The principal assumptions upon which the valuation was based on are set out as follows:

(a) there will be no major changes in the existing political, legal, and economic conditions in the PRC in which the Target Group carry on their businesses;

(b) effective tax rates, exchange rates and interest rates will not differ materially from those presently prevailing;

(c) there will be no major changes in the current taxation law in the PRC in which the Target Group operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

(d) industry trends and market conditions for related industries will not deviate significantly from economic forecasts;

(e) the Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources, expanding its marketing network and investing in teaching program development;

(f) the Target Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its profitability;

(g) the availability of finance will not be a constraint on the forecast growth of the Target Group's operations;

(h) the Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

(i) the Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

(j) the Target Group has obtained and will obtain all necessary permits, license, certificates and approvals to carry out its business;

(k) the projection provided by the management have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration;

(l) a terminal growth rate of 3%, which reflects a long-term inflation rate in the PRC;

(m) it is assumed that, without the Exclusive Rights, the Target Group can retain similar market share to those of its existing close competitors;

(n) market shares of dominant market players with and without the Exclusive Rights will not differ materially from those presently prevailing;

(o) the Exclusive Rights is assumed to have indefinite life;

(p) the CRC Organisation Contract can be renewed and extended without impediment; and

(q) the Service Agreement, the Heilongjiang CRC Authorisation Supplemental Agreement and the CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement are duly executed.

RSM Hong Kong, the auditors of the Company, have reviewed the calculations of the discounted cash flow used by the Valuer as the basis of preparing the valuation of the Exclusive Rights of the Target Group in the valuation report. The financial adviser of the Company, CIMB Securities Limited, confirms that they are satisfied that the forecast has been made by the Directors after due and careful enquiry.

The following is the qualification of the expert who has given its opinion or advice included in this announcement:

Name	**Qualification**
CIMB Securities Limited	A licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Grant Sherman Appraisal Limited	Professional valuer
RSM Hong Kong	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the date of this announcement, each of the above experts did not have any direct or indirect shareholding in any member(s) of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member(s) of the Enlarged Group.

A letter from the financial adviser of the Company, CIMB Securities Limited, confirming that they are satisfied that the forecast has been made by the Directors after due and careful enquiry pursuant to Rule 19.62 of the GEM Listing Rules and a report from RSM Hong Kong relating to discounted cash flow in connection with the valuation of the Exclusive Rights of the Target Group under the valuation report are set out in the Appendix to this announcement.

Payment of the Consideration

The Consideration in the amount of HK$30,000,000 shall be satisfied by the Purchaser to the Vendor in the following manner:

(a) as to HK$27,100,000 to be paid by the Purchaser by way of cash within 180 days from the Acquisition Completion Date; and

(b) as to the balance of HK$2,900,000 to be paid by the Purchaser to the Vendor by way of cash, but which shall be withheld by the Purchaser for the purpose of settling all tax which may be payable by the Vendor in respect of the sale of the Sale Shares under Bulletin 7, and only be released after the earlier of: (i) deducting any tax payable by the Vendor to the relevant tax authority of the PRC for the sale of the Sale Shares; (ii) the

Vendor provides evidence to the sole and absolute satisfaction of the Purchaser showing that the Vendor has settled and paid in full the taxes payable by it arising out of or relating to the Acquisition within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority.

Conditions precedent

Acquisition Completion is conditional upon the following conditions being satisfied to the satisfaction of the Purchaser or waived by the Purchaser according to the Sale and Purchase Agreement:

(a) completion of satisfactory legal, financial and business due diligence in respect of the Target Group by the Purchaser;

(b) the obtaining of all consents which are necessary or desirable for the implementation of the transactions contemplated by the parties under the Sale and Purchase Agreement, including without limitation, approval of the Independent Shareholders, if required, in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and any other approvals or notifications required pursuant to the requirements of the GEM Listing Rules;

(c) the Placing Agreement(s) and the Subscription Agreement having been entered into and becoming, and continuing to be, unconditional and not having been terminated in accordance with their respective terms (other than any conditions for the Sale and Purchase Agreement to become unconditional);

(d) the entering into of a deed of undertaking by the Vendor, CCI, CCC and Beijing Shentong in favour of the Purchaser, in form and substance satisfactory to the Purchaser;

(e) the issuance of a legal opinion in a form satisfactory to the Purchaser, by the Vendor's legal counsel in the PRC in relation to, among other things, Heilongjiang Shentong and Daqing Shentong;

(f) there shall not be in effect on the Acquisition Completion Date any law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Sale and Purchase Agreement or which may have a material adverse effect on the Target Group Companies;

(g) all consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Vendor of its obligations under the Sale and Purchase Agreement as are required under any law or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect; and

(h) none of the warranties being found to be, or no event occurring or matter arising which may render or renders any of the warranties untrue or inaccurate or misleading on and as at the Acquisition Completion Date.

The Purchaser may at any time waive any of the above conditions precedent by notice in writing to the Vendor. If any of the above conditions precedent have not been fulfilled (or waived by the Purchaser, as the case may be) on or before 31 December 2015 (or such later date as the Purchaser and the Vendor may agree in writing), then the Purchaser shall not be bound to proceed with the purchase of the Sale Shares. As at the date of this announcement, the Company has no intention to waive any of the conditions precedent under the Sale and Purchase Agreement.

Vendor's warranties, indemnities and covenants

Under the Sale and Purchase Agreement, the Vendor has provided general warranties in respect of the Sale Shares and affairs relating to the Target Group, and has undertaken to indemnify the Purchaser against any loss or liability suffered by the Purchaser or any member of the Target Group as a result of or in connection with any breach of the warranties. The Vendor has also provided general tax indemnity and other indemnities on specific matters relating to, among other things, employee payments, housing provident fund contributions, licensing, legal and regulatory compliance in respect of the Target Group.

Under the Sale and Purchase Agreement, the Vendor has irrevocably and unconditionally undertaken to comply with relevant tax Laws in the PRC with respect to the monies received or receivable by them under the Sale and Purchase Agreement, and the Vendor has agreed to indemnify and keep indemnified the Purchaser on demand in respect of the Vendor's failure to so comply.

Acquisition Completion

Acquisition Completion shall take place on the date of completion of the Placing(s) and Subscription.

SERVICE AGREEMENT BETWEEN CCI AND THE TARGET COMPANY

On 21 November 2015, CCI and the Target Company entered into the Service Agreement pursuant to which the Target Company agreed to pay CCI the Service Fee of HK$350,000,000 in connection with CCI having procured:

(a) CCC having granted to Heilongjiang Shentong and Daqing Shentong the long-term and exclusive right to use the CRC Shentong Card payment system in Heilongjiang Province of the PRC (as evidenced by the entering into of the CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement, pursuant to which, among other things: (a) CCC granted to Heilongjiang Shentong the long-term and exclusive right to use the CRC Shentong Card payment system; (b) the CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement shall be effective and extended indefinitely unless terminated by Heilongjiang Shentong; and (c) CCC undertakes, covenants and agrees not to grant to any other party the same or similar rights to use the CRC Shentong Card payment system to any other party in Heilongjiang Province of the PRC (other than the CRC Training Course Providers cooperating with Heilongjiang Shentong or Daqing Shentong)); and

(b) Beijing Shentong having granted to Heilongjiang Shentong the irrevocable and exclusive right to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC (as evidenced by the entering into of the Heilongjiang CRC Authorisation Supplemental Agreement pursuant to which, among other things: (a) so long as the co-operation period between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong under the CRC Organisation Contract remains effective, the authorisation granted by Beijing Shentong to Heilongjiang Shentong would be automatically extended indefinitely unless terminated by Heilongjiang Shentong by written notice; (b) the Heilongjiang CRC Authorisation (as amended and supplemented by the Heilongjiang CRC Authorisation Supplemental Agreement) cannot be terminated by Beijing Shentong without the prior consent of Heilongjiang Shentong; and (c) Beijing Shentong undertakes, covenants and agrees not to grant to any other party the same or similar rights in Heilongjiang Province of the PRC).

Based on information provided by the Vendor, the Service Fee was determined by the Target Company and CCI taking into consideration the services performed by CCI as described above, the valuation of the Exclusive Rights of the Target Group procured by CCI pursuant to the Service Agreement, and the commercial benefits that are expected to be brought to the Target Group.

The Directors consider that the Service Fee is fair and reasonable taking into consideration the basis of determination of the Service Fee as described above.

The Service Fee which is charged on an one-off basis will be paid by the Target Company to CCI within 360 days after the date of the Service Agreement, which payment is not subject to any condition precedent and the Acquisition Completion and is expected to commence after Acquisition Completion and accordingly be borne by the Enlarged Group. The Company's obligation to fund the Service Fee falls under the Sale and Purchase Agreement which constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to approval by the Independent Shareholders at the EGM.

The Service Fee is payable by the Target Company and is intended to be settled by the Enlarged Group by using the proceeds to be raised in the Placing and the Subscription. As such and together with the Consideration, the total payment obligation of the Company would be HK$380 million.

As advised by the PRC Legal Advisers, there is no PRC tax implication on the Company and the Enlarged Group arising from the payment of the Service Fee by the Target Company to CCI.

INFORMATION ON THE COMPANY

The Group is principally engaged in the provision of promotion and management services for an electronic smart card, "Shentong Card" (神通卡), in the PRC. 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.

Shentong Yijia, the principal subsidiary of the Group, provides the following services to CCC: (i) management and sale of the Designated Shentong Cards; (ii) assisting CCC in the after-sale services for the Designated Shentong Cards; (iii) following up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and (iv) customer management service, promotion and marketing of the Designated Shentong Card.

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group, such as the acquisition of 100% of the equity interest in Shentong Yijia and the disposal of 75% of the equity interest in China Cyber Port Co., Ltd. (神州奧美網絡有限公司). Since then, the Group concentrates on the business in promotion and management services for Shentong Card in the PRC.

INFORMATION ON THE VENDOR, CCI AND CCC

The Vendor, Profuse Year, a company incorporated in the British Virgin Islands with limited liability on 22 April 2015, is a wholly-owned subsidiary of CCI, which in turn is a wholly-owned subsidiary of CCC, as at the date of this announcement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Profuse Year is principally engaged in investment holding.

CCI is principally engaged in investment holding and is a wholly-owned subsidiary of CCC.

CCC is principally engaged in telecommunication services and real estate development and is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including (i) valued-added telecommunication services, (ii) payment and billing system, (iii) research and development and (iv) Shentong Card business.

INFORMATION ON THE TARGET GROUP

History of the Target Group

The Target Company was incorporated on 26 March 2015 for the purpose of acting as the holding company of the Target Group Companies and is principally engaged in investment holding. The Target Company holds the entire issued share capital of CCI HK, which in turn holds the entire issued share capital of Global Luck, which in turn holds the entire equity interest in Heilongjiang Shentong, which in turn holds the entire equity interest in Daqing Shentong.

The Target Group is principally engaged in the promotion, sales and management services related to CRC Shentong Cards facilitated by the provision of education and training courses as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC, which are authorised by Heilongjiang General Administration of Sport (黑龍江

省體育總局), a provincial organisation of the General Administration of Sport (國家體育總局) of the PRC, and regarded as the major marketing tool for the provision of the above services.

According to the Notice on Proper Implementation of Preparatory Work for First National Quality Sports Robot Competition (SheTiZi [2012] No. 23) (《關於做好首屆全國素質體育機器人大賽籌備工作的通知》(社體字[2012] 23號)) issued by the General Administration of Sport (國家體育總局) of the PRC, the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) of the PRC has defined robotics competition as an emerging social sports competition (新興社會體育賽事) whereby competitors would use robots as participating equipment to compete against each other at designated venues in accordance with general rules. The name of the competition is "China Robot Competition" and abbreviated as "CRC".

Heilongjiang Shentong is authorised by Beijing Shentong (which has obtained from the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) rights to organise and develop CRC competition events and to provide training courses at a national level), given consent by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and further confirmed by the Heilongjiang Province Sports Federation (黑龍江省體育總會) and the Harbin Municipal Sports Federation (哈爾濱市體育總會) to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC. Further, Heilongjiang Shentong and Daqing Shentong are granted by CCC the sole and exclusive right to use the CRC Shentong Card payment platform in Heilongjiang Province of the PRC for which all payments for the attendance of CRC education and training courses and the participation in CRC competition events must be made through.

The Target Group's business is committed to and focuses on the promotion, sale and management of CRC Shentong Cards facilitated by the provision of CRC-standardised robotics education and training courses at schools and training centres in Heilongjiang Province of the PRC. In particular, the organisation and hosting of CRC competitions is the principal marketing tool of the aforesaid businesses of Heilongjiang Shentong, and its seven proprietary demonstration and training centres are principally used as the teaching and training venue for CRC-accredited teachers and coaches to provide educational and training courses to students. All participants in the CRC-standardised robotics education and training courses, as well as CRC competitions, are required to hold and use a CRC Shentong Card for payment of any relevant fees. In turn, Heilongjiang Shentong charges fees and receives income via CRC Shentong Cards in relation to the marketing, sales and management of CRC courses. For courses provided at schools and co-operated training centres, Heilongjiang Shentong will provide a split from 50% to 70% of such fees to the relevant schools and training centres, respectively.

Right for the provision of the CRC Related Services

As advised by the PRC Legal Advisers, the right for the provision of services related to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC by the Target Group was granted by Beijing Shentong to Heilongjiang Shentong pursuant to the Heilongjiang CRC Authorisation made by Beijing Shentong in favour of Heilongjiang Shentong (as consented by the Social Sports

Direction Centre of the General Administration of Sport pursuant to its consent letter dated 13 August 2015) and is based on the rights of Beijing Shentong pursuant to the CRC Organisation Contract entered into between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong.

(a) Heilongjiang CRC Authorisation

The material terms of the Heilongjiang CRC Authorisation are summarised as follows:

Authorisation granted by Beijing Shentong to Heilongjiang Shentong

With the consent given by the Social Sports Direction Centre of the General Administration of Sport, Beijing Shentong authorises Heilongjiang Shentong as follows:

(i) Heilongjiang Shentong has rights on its own to develop business activities relating to CRC and to enjoy economic benefits derived from business development of competitions in Heilongjiang Province of the PRC.

(ii) The rights and obligations of Heilongjiang Shentong under the authorisation shall be limited to the rights and obligations of Beijing Shentong under the CRC Organisation Contract.

In addition, pursuant to the Heilongjiang CRC Authorisation Supplemental Agreement: (a) so long as the co-operation period between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong under the CRC Organisation Contract remains effective, the authorisation granted by Beijing Shentong to Heilongjiang Shentong would be automatically extended indefinitely unless terminated by Heilongjiang Shentong by written notice; (b) the Heilongjiang CRC Authorisation (as amended and supplemented by the Heilongjiang CRC Authorisation Supplemental Agreement) cannot be terminated by Beijing Shentong without the prior consent of Heilongjiang Shentong; and (c) Beijing Shentong undertakes, covenants and agrees not to grant to any other party the same or similar rights in Heilongjiang Province of the PRC.

(b) CRC Organisation Contract

The material terms of the CRC Organisation Contract between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong are summarised below:

Term

From 9 May 2011 to 31 December 2016, upon the expiry of which the CRC Organisation Contract would be automatically extended. Each extension shall be for a duration of five years if the parties have no objection. The parties intend to form a long-term cooperation relationship (長期戰略合作伙伴關係), and that the CRC Organisation Contract shall remain effective for a long-term (長期有效).

Rights and obligations of the Social Sports Direction Centre of the General Administration of Sport

(i) The Social Sports Direction Centre of the General Administration of Sport has the right to host CRC competitions.

(ii) The Social Sports Direction Centre of the General Administration of Sport has the right to receive competition management fee from Beijing Shentong.

(iii) The Social Sports Direction Centre of the General Administration of Sport is responsible for setting and explaining competition rules. It is also responsible for forming competition committee and referee committee to resolve any potential conflict in competition.

(iv) The Social Sports Direction Centre of the General Administration of Sport is responsible for approval of matters in applying for CRC competitions with government departments.

(v) With the exception of trial matches, the Social Sports Direction Centre of the General Administration of Sport shall not charge a competition management fee of 15% more than the previous round of competitions.

Rights and obligations of Beijing Shentong

(i) Beijing Shentong is authorised by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) with sole and exclusive right to organise CRC competitions in the PRC, which is not transferrable to any third party.

(ii) The Social Sports Direction Centre of the General Administration of Sport grants the following rights to Beijing Shentong:

(A) Beijing Shentong has the right to organise CRC competitions and develop business relating to CRC competitions, including but not limited to the right to name competitions and individual match championships, advertising rights within the competition venue, advertising rights outside the competition venue, right to broadcast on television, business development rights to designated food and beverage, other commodities and traffic arrangements, competition product franchise rights, competition ticket franchise, advertising rights on score boards, rights to provide training for trainers, referees, athletes, and the right to issue qualifications. Beijing Shentong is required to display Social Sports Direction Centre of the General Administration of Sport's logo on any official documents (including competition guidelines, competition backdrops, competition scoreboards, competition passes and competition tickets).

(B) Beijing Shentong may, subject to business and operational needs, develop business opportunities on its own and grant rights or cooperate with other professional organisations regarding any competition activities. Beijing Shentong shall enjoy all economic benefits from such business opportunities.

(iii) Beijing Shentong is responsible for organising competitions, arranging accommodation and food and beverages, any promotional activities prior to the competitions, and any charges incurred relating to the obligations above.

(iv) Beijing Shentong is responsible for assisting its local Administration of Sport in approval matters. Once approved, Beijing Shentong shall seek approval from local authorities (such as police department, fire department, tax bureau) for the competitions.

(v) Beijing Shentong shall pay the competition operation fee according to the agreement between the parties, for the purpose of implementing and organising the competitions. Beijing Shentong shall also pay the management fee to the Social Sports Direction Centre of the General Administration of Sport when it falls due.

Funding arrangements

(i) Beijing Shentong shall be responsible for injection of funds for funding the organisation of competitions. Beijing Shentong shall provide competition funding of RMB1,000,000 for trial competitions in four competition regions in 2011.

(ii) Upon achievement of expected results in trial competitions in 2011, the first competition session would be held in 2012. Beijing Shentong shall provide competition funding of a minimum of RMB3,000,000 for the first competition session and an increment of 10% per year thereafter.

(iii) The competition funding and management fee of each competition session shall be agreed between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong, and shall be provided by Beijing Shentong to the competition organising committee of the relevant competition region.

(iv) Beijing Shentong shall pay to the Social Sports Direction Centre of the General Administration of Sport a competition management fee for each competition session as follows: RMB450,000 for the first session (第一屆), RMB500,000 for the second session (第二屆), RMB550,000 for the third session (第三屆), RMB600,000 for the fourth session (第四屆) and RMB670,000 for the fifth competition (第五屆).

Termination

Except otherwise provided in the contract, without prejudice to the rights of the party seeking termination, either party may terminate the contract upon the occurrence of the following circumstances, which shall take effect upon the other party receiving notice:

(i) the other party commits a material breach during the performance of the contract and fails to rectify such breach within 30 days of receipt of a notice of breach; or

(ii) any representation or guarantee made by the other party is proven to be materially incorrect or inaccurate.

Renewal of the term of the CRC Organisation Contract beyond 2021

Based on the information provided by the Vendor, the Target Group and Beijing Shentong, Beijing Shentong is of the view that the CRC Organisation Contract is likely to be renewed after 2021, taking into account that Beijing Shentong has maintained, and envisages that it will continue to maintain, a close working relationship with the Social Sports Direction Centre of the General Administration of Sport, and Beijing Shentong has, and its authorised operators (including the Target Group) have, well-developed relationship with the CRC training course providers and students, and extensive experience in CRC related business activities, which Beijing Shentong believes will place it in a more favourable position than new comers seeking to renew the CRC Organisation Contract.

Based on the information provided by the Vendor and the Target Company and Beijing Shentong's experience in entering into the CRC Organisation Contract First Supplemental Agreement, the procedures to renew the CRC Organisation Contract is expected to be as follows:

1. during 24 to 36 months before the CRC Organisation Contract expiry date, Beijing Shentong will notify Social Sports Direction Centre of the General Administration of Sport, that it intends to extend the contractual period;

2. after 1 to 2 weeks of such notification, Beijing Shentong will draft the renewal contract based on the terms of the CRC Organisation Contract and the CRC Organisation First Contract Supplemental Agreement, and provide the draft renewal contract to the Social Sports Direction Centre of the General Administration of Sport; and

3. after 1 to 2 weeks of the provision of draft contract to the Social Sports Direction Centre of the General Administration of Sport, Beijing Shentong and Social Sports Direction Centre of the General Administration of Sport will arrange to sign the renewal contract.

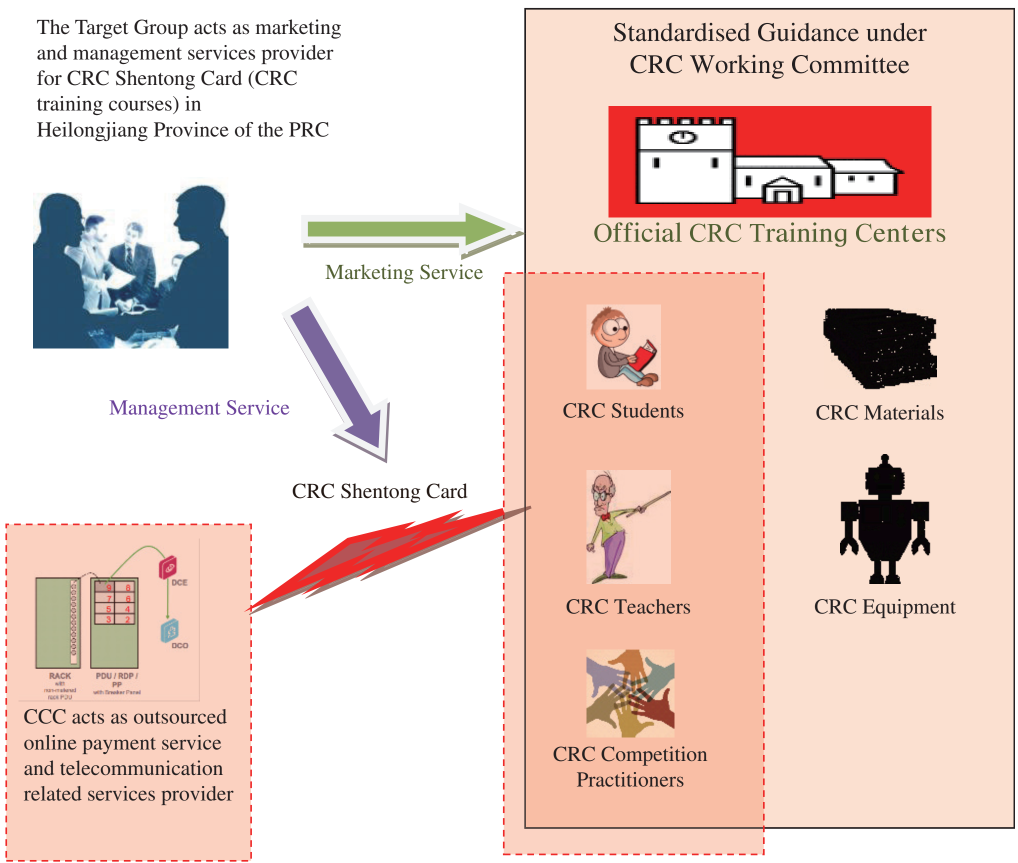
As advised by the PRC Legal Advisers, under the applicable PRC laws and regulations, no bidding process is required to renew the CRC Organisation Contract, and there is no legal impediment for Beijing Shentong to renew the CRC Organisation Contract with the Social Sports Direction Centre of the General Administration of Sport.

On 18 November 2015, Beijing Shentong and the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) entered into the CRC Organisation Contract Second Supplemental Agreement pursuant to which the parties expressed the intention to form a long-term cooperation relationship (長期戰略合作伙伴關係) and agreed that the CRC Organisation Contract shall remain effective for a long-term (長期有效). Based on the CRC Organisation Contract Second Supplemental Agreement, the directors of the Target Group believe that the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) will renew the CRC Organisation Contract with Beijing Shentong after 2021.

Business model of the Target Group

The following diagram illustrates the business model of the Target Group:

Business Model of the Target Group



Management service

Pursuant to the guidance of the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心), all management and payment of CRC education and training courses and CRC competitions should be conducted through CRC Shentong Card system. The Target Group has the sole and exclusive right to use the CRC Shentong Card payment platform in Heilongjiang Province of the PRC and provides technical support for CRC Shentong Card applications and management services of the relevant database of CRC users in Heilongjiang Province of the PRC.

Each CRC student must have a personalised CRC Shentong Card registered under his/her real name (實名登記). The functions of the CRC Shentong Card are: (i) CRC students should use their own CRC Shentong Cards to pay course fees, and the Target Group will provide relevant on-site technical support services; (ii) CCC would process payments to be made to the Target Group and relevant CRC Training Course Providers according to the history of attendance of CRC students stored in the CRC Shentong Card database of the Target Group; and (iii) all data related to CRC students' history of attendance of courses, examination results and competition results can all be found in the CRC Shentong Card database. The Target Group would manage the data according to the needs or requirements of the CRC Working Committee for future development or improvement of CRC in the PRC.

The CRC Working Committee is a standing management organisation (常設管理機構) established under the working principles of the General Administration of Sport TiQunZi [2012] No. 96 Document (國家體育總局體群字 [2012] 96號文件) and the resolutions of the Third Working Meeting of the CRC Working Committee. It is responsible for day-to-day management and operation of CRC activities in different provinces. According to the General Administration of Sport TiQunZi [2012] No. 96 Document (國家體育總局體群字 [2012] 96號文件), the CRC Working Committee has six objectives: (1) basic development of infrastructure of the project (項目的基礎建設工作); (2) organisation development work (組織建設工作); (3) competition system development work (競賽系統建設工作); (4) strengthen external interaction work (加強對外交流工作); (5) grasp new opportunities and requests in cultural development and prosperity of "China Robot Competition" (把握文化大發展大繁榮對素質體育機器人運動帶來的新機遇、新要求); and (6) increase co-operation with other departments (加強與其他部門的合作工作).

Marketing service

CRC competitions are regarded as very crucial in marketing and stimulating attraction of CRC training programs, as students would have to attend CRC training courses prior to participating in such competitions.

CRC competitions can be divided into different levels: national, provincial and municipal-level tournaments. The first CRC national tournament this year will be held in Changzhou, Jiangsu Province, the PRC. Heilongjiang Province is one of the regions hosting preliminary rounds for the CRC national tournament, and has hosted various provincial and municipal CRC tournaments.

CRC competitions of different scales taking place throughout the PRC are held 1 to 12 times per year on average in general in the past and are expected to be of similar frequency going forward. In addition, CRC national competitions are also expected to be held every two years in the near future.

The Target Group started organising CRC competitions in January 2013. For large-scale CRC competitions, the Target Group co-organises with the Heilongjiang Provincial Sports Bureau (黑龍江省體育局). The media coverage and advertising of these large-scale CRC competitions are provided by the Propaganda Department of the Heilongjiang Provincial Committee of the Chinese Communist Party (中共黑龍江省委宣傳部), the Administration of Press, Publication, Radio, Film and Television of Heilongjiang (黑龍江省新聞出版廣電局), Heilongjiang Daily Newspaper Group (黑龍江日報報業集團) and Heilongjiang Television Station (黑龍江廣播電視台). The Target Group organises other CRC competitions independently.

All CRC training courses have to be endorsed by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and hosted at CRC training centres. A significant portion of the work of the Target Group is to encourage more schools and training organisations in Heilongjiang Province of the PRC to be registered as official CRC training centres via promotion, site visits and demonstrations. Once such official CRC training centres commence the provision of CRC training courses, they will become the CRC Training Course Providers. Such CRC Training Course Providers must be located within Heilongjiang Province and cannot be located in other provinces of the PRC. CRC Training Course Providers of other provinces are not allowed to provide any CRC training courses within Heilongjiang Province of the PRC without the authorisation of Heilongjiang General Administration of Sport (黑龍江省體育總局).

For the purpose of promotion and demonstration, the Target Group has established seven self-operated CRC demonstration centres, four of which are located in Harbin and three of which are located in Daqing.

CRC teaching materials and equipment are standardised at a national level under the guidance of the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心). To promote CRC training programs, the Target Group will provide certain CRC teaching materials and CRC equipment free of charge to facilitate the official CRC training centres to provide training courses.

Services and products mix

The following table sets forth a breakdown of revenue of the Target Group by type of services and goods for the periods as indicated:

	For the year ended 31 March		**For the three months ended 30 June**	
	2014	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Training courses*	34,207,136	65,845,040	17,120,925	12,674,989
Competition admission fee*	3,481,963	841,486	302,302	367,974
Competition sponsorship	3,531,786	11,510,071	2,240,199	—
Sales of course materials	1,392,809	352,060	37,430	—
Management fee income	1,135,217	1,313,649	248,911	249,813
Rental income of training equipment	—	37,107	—	282,733
Sub-total	**43,748,911**	**79,899,413**	**19,949,767**	**13,575,509**
Less: Sales tax	(1,674,295)	(3,309,230)	(761,832)	(747,286)
Total	**42,074,616**	**76,590,183**	**19,187,935**	**12,828,223**

* *Revenue settled via CRC Shentong Card payment system.*

The following is a brief description of the Target Group's main services and products:

Training courses

The Target Group receives fees via use of CRC Shentong Cards for payment of education and training courses attended by CRC students at CRC Training Course Providers (i.e. schools and co-operated training centres). Such education and training courses primarily represent training and education of theory, design, operation and competition skills for different kinds of robots. Major courses include aerial vehicles (i.e. drones, planes), polo with self-balanced vehicles, underwater vehicles and integrated (all of the aforementioned robots).

The revenue generated via CRC Shentong Cards from CRC training courses accounts for approximately 80% of the revenue of the Target Group. The CRC training course fee is determined by the CRC Working Committee and is standardised across all provinces in the PRC as required by the CRC Working Committee. The proportion of fee sharing between the Target Group and the CRC Training Course Providers is specified by Beijing Shentong under the guidance of the CRC Working Committee which is applicable to all provinces in the PRC. The split between the Target Group on one hand and schools and co-operated training centres on the other hand are 50:50 and 30:70, respectively. As to the use of the online payment platform owned and operated by CCC, the Target Group has to pay to CCC 6% of the transaction amount as handling fees, which also represents a major cost of operations and recognised as part of the costs of sales of the Target Group. The Target Group has to provide certain teaching materials and equipment to CRC Training Course Providers, therefore depreciation of the materials and equipment specified by CRC is also a part of its cost of sales.

The 6% of the transaction amount paid by the Target Group to CCC as handling fees was determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to the rates for the same services charged to independent third parties in different provinces of the PRC and similar transactions carried out in the market and are no less favourable than terms available between CCC and its independent third parties.

The revenue from training courses includes course tuition fees received from individual students, instructors, referees and other competition related personnel (such as scorekeepers, clerks and recorders) for attending the training course.

Competition admission fee

The Target Group receives competition admission fees from CRC sportsmen participating in CRC competitions held in Heilongjiang Province of the PRC. Competition admission fees are collected from competition participants. The admission fee ranges from RMB100 to 500 per participant per event. The CRC competition admission fee is determined by the CRC Working Committee and is standardised across all provinces in the PRC as required by the CRC Working Committee.

Competition sponsorship

The Target Group receives sponsorship fees for general sponsorship and title sponsorship from sponsors in relation to CRC competition events held.

Sponsorship fees are determined on a case-by-case basis based on factors such as the duration of services and the extent of promotional services provided by the Target Group, which include the grant of competition naming rights, the design and erection of promotional banners and the provision of promotional souvenirs.

Based on information provided by the Vendor and the Target Group, the sponsors of the competition events include a newspaper company, a telecommunication company and a property development company.

Sales of course materials

The Target Group may also sell CRC learning materials, namely training textbooks, for CRC education and training courses. Such textbooks are sold to CCC which would be ultimately distributed to other training centres in other provinces of the PRC. Based on information provided by the Vendor and the Target Group, there have not been and will not be any sales of course material by the Target Group to CCC since 31 March 2015.

Management fee income

Co-operated training centres co-operating with the Target Group pay an annual subscription fee (currently at RMB50,000 per year) to the Target Group. The number of co-operated training centres has increased from 18 as of 31 March 2014 to 23 as of 31 March 2015 and 30 June 2015.

Rental income of training equipment

The Target Group earns rental income from renting out its training equipment to students from time to time for a fee.

Customers

The Target Group's existing and targeted customers are generally categorised into the following types:

Students

The Target Group's major customers are users of CRC Shentong Card, including CRC students and sportsmen, CRC teachers and other CRC competition practitioners who would attend CRC education and training courses provided by CRC Training Course Providers and participate in CRC competition events organised by the Target Group. The Target Group's revenue related to such customers amounted to approximately HK$37.7 million, HK$66.7 million and HK$13.0 million, accounting for approximately 86.15%, 83.46% and 96.08% of the Target Group's unaudited revenue before sales tax, for the years ended 31 March 2014 and 2015 and for the three months ended 30 June 2015, respectively. Such students would pay via the CRC Shentong Card payment system the training course fees for attending CRC education and training courses and the competition admission fees for participating in CRC competition events. To the best information, knowledge and belief of the Company, the Vendor and the Target Group and having made all reasonable enquiries, such students are independent of and not related to the Target Group or its connected persons.

Sponsors

The Target Group's customers are sponsors who would pay, and the Target Group would receive, competition sponsorship fees in relation to general sponsorship and title sponsorship for CRC competition events organised by the Target Group. The Target Group's revenue related to such customers amounted to approximately HK$3.5 million, HK$11.5 million and nil, accounting for approximately 8.07%, 14.41% and nil of the Target Group's unaudited revenue before sales tax, for the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, respectively. To the best information, knowledge and belief of the Company, the Vendor and the Target Group and having made all reasonable enquiries, such sponsors are independent of and not related to the Target Group or its connected persons. See "Information on the Target Group — Services and products mix — Competition sponsorship" above for further details regarding the sponsors.

Training centres

The Target Group's customers for management fee income represent annual subscription fee of RMB50,000 received from co-operated training centres. The number of co-operated training centres is 18, 23 and 23 for the years ended 31 March 2014 and 2015, and for the three months ended 30 June 2015, respectively. To the best information, knowledge and belief of the Company, the Vendor and the Target Group and having made all reasonable enquiries, such co-operated training centres are independent of and not related to the Target Group or its connected persons.

CCC

The Target Group's customer for sales of course materials is CCC. The Target Group's revenue related to CCC amounted to approximately HK$1.39 million, HK$0.35 million and nil, accounting for approximately 3.18%, 0.44% and nil of the unaudited revenue before sales tax of the Target Group for the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, respectively. CCC is a connected person of the Target Group and the Company. Sales of course materials represents sale of training textbooks to CCC. Those textbooks sold to CCC will be ultimately distributed to other training centres in other PRC provinces.

Arrangements of the Target Group with schools and co-operated training centres

The Target Group has different arrangements: (i) schools, which include kindergartens, primary schools, secondary schools and universities; and (ii) co-operated training centres. Schools are entitled to a split of 50% of the training income. Other training centres are entitled to a split of 70% of the training income. In both cases, the venues are operated by the Target Group's partners, namely the CRC Training Course Providers, who bear their own operating costs. The Target Group is responsible for the provision of billing and payment system (via the Target Group's arrangements with CCC using the CRC Shentong Card payment system), management and support services, training materials and equipment, teaching support and advertising activities.

Relationship of schools and co-operated training centres with the Target Group and its connected persons

CRC Training Course Providers cooperating with the Target Group are primarily: (i) schools; and (ii) co-operated training centres.

The "schools" involved in the provision of courses are schools under the jurisdiction of the Department of Education of Heilongjiang Province of the PRC. Such schools are independent of and not related to the Target Group or its connected persons.

The "co-operated training centres" involved in the provision of courses are private training centres established by for profit enterprises. To the best information, knowledge and belief of the Company, the Vendor and the Target Group and having made all reasonable enquiries, such co-operated training centres are independent of and not related to the Target Group or its connected persons.

Basis of determination of the fee-splitting mechanism

For courses provided at schools and co-operated training centres, the Target Group will provide a split of 50% and 70% of such fees to the relevant schools and training centres, respectively. The proportion of fee sharing between the Target Group and the CRC Training Course Providers is specified by Beijing Shentong under the guidance of the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) which is applicable to all provinces in the PRC. The Target Group has no discretion to determine the fee sharing split, as it is determined in strict accordance with and pursuant to the guidance of the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) in relation to standardisation of the fee sharing split.

Schools are provided with a split of fees of 50% due to the reason that schools are not profit-making entities and they normally already have a suitable place and facility or teacher for the training and the Target Group would provide the training materials and equipment, and therefore the cost for them to organise the training is comparatively lower.

Co-operated training centres are provided with a split of fees of 70% due to the reason that they are profit making entities and normally incur higher costs to organise the training such as additional rent and facilities and procurement of training materials and equipment.

The ratio of split of fees is the same in other provinces in the PRC and is consistent with normal market practice which reflects the CRC Training Course Providers' expected return on the provision of such education and training courses.

Principal activities of the Target Group in the PRC

The Target Group's principal business activities are conducted through its subsidiaries in the PRC, namely Heilongjiang Shentong and Daqing Shentong. According to the PRC business registration, the principal business activities of Heilongjiang Shentong are the provision of robot related consultancy services, the organisation of robotics competitions using Shentong Card as main payment medium, and the provision of conference services and advertising services and of Daqing Shentong are the provision of robot related consultancy services and the organisation of robotics competition using Shentong Card as main payment medium.

As advised by the PRC Legal Advisers, the Target Group's principal activities do not fall under the scope of either restricted or prohibited business under the existing and/or revised Foreign Investment Catalog issued by the National Development and Reform Commission of the PRC.

Financial information of the Target Group

The financial information of the Target Group have been prepared in accordance with the Hong Kong Financial Reporting Standards.

The unaudited net profit before and after taxation and the unaudited net asset value of the Target Group for the respective periods were as follows:

	For the year ended 31 March		**For the three months ended 30 June**
	2014	**2015**	**2015**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net profit before taxation	11,640	33,068	4,341
Net profit after taxation	8,677	24,329	3,182

	As at 31 March		**As at 30 June**
	2014	**2015**	**2015**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net asset value	8,548	33,750	35,910

Set out below are the amounts due from the Target Group to the Parent Group, and due from the Parent Group to the Target Group:

	As at 31 March		**As at 30 June**
	2014	**2015**	**2015**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(unaudited)	(unaudited)	(unaudited)
Loan to CCC	—	28,754	28,732
Amounts due from CCC	44,996	64,617	70,675
Amounts due to fellow subsidiaries	(13,811)	(35,059)	(32,483)
Amounts due from fellow subsidiaries	1,078	3,584	3,560
Amounts due to related companies/parties	(1,571)	(2,394)	(2,657)

Loan to CCC

As of 31 March 2015 and 30 June 2015, the Target Group had an outstanding loan of RMB23 million to CCC. The loan is unsecured, interest bearing 5.6% p.a. and repayable on 31 August 2015.

Amounts due from/to CCC, fellow subsidiaries and related companies

The amounts due from CCC represent amounts owed by CCC to the Target Group. The amounts due from fellow subsidiaries represent amounts owed by China Communications Group (Shanghai) Security Operations Management Limited and Harbin China Communication Skill Training to the Target Group.

The amounts due from/to CCC, fellow subsidiaries and related companies are unsecured, interest-free and have no fixed term of repayment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors (excluding all the independent non-executive Directors of the Company, who will give their opinion based on the recommendation from the Independent Financial Adviser) consider the Acquisition to be in the interests of the Company and the Shareholders as a whole for the following reasons:

(1) The Group has been principally engaged in the business of providing promotion and management services for Shentong Cards in all provinces of the PRC since March 2010. The major operating subsidiary of the Company, Shentong Yijia, is principally engaged in the management and sale of the Designated Shentong Cards preloaded with certain insurance products of CCC, and assisting CCC in the after-sale services for the Designated Shentong Cards. The Target Group is principally engaged in the promotion, sales and management of CRC Shentong Cards facilitated by the provision of education and training courses relating to robotics standardised by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. Shentong Cards are one of the electronic smart card and online gateway payment service businesses in the PRC. Since early 2010, the Board has strategically positioned the Group to focus on gaining exposure to the rapidly growing businesses of electronic smart card services and online gateway payment service in the PRC.

(2) The Company expects significant growth potential and synergies in the Target Group's business with the Group's existing business. Currently, the customers of the Target Group can pay for the services provided by the Target Group by using CRC Shentong Cards. The organisation and hosting of CRC competitions and the provision of CRC-standardised education and training courses related to robotics are part and parcel to the promotion, sales and management of CRC Shentong Cards by the Target Group to users of CRC Shentong Cards. The Acquisition will allow the Group to extend its business in marketing, sales and management services for Shentong Cards to a broader market segment, namely the users of CRC Shentong Cards of the Target Group who are primarily students in Heilongjiang Province in the PRC. Currently, Shentong Cards can be purchased from Shentong Yijia or other Shentong Card providers. The Company believes that the number of Shentong Card users is one of the key success factors for running an electronic smart card and online gateway payment service business in the PRC. The Company expects that the total number of Shentong Card users will be immediately increased upon the acquisition of the Target Company and the track record

of rapid growth in the number of CRC Shentong Card users of the Target Group will enable the Group to enhance its electronic smart card services and online gateway payment service businesses in the PRC.

(3) The Group also intends to explore the possibility of integrating the Designated Shentong Cards and the CRC Shentong Cards in Heilongjiang Province of the PRC or the possibility of incorporating the services available in the Designated Shentong Cards into the CRC Shentong Cards.

The key difference between the Designated Shentong Cards and the CRC Shentong cards is as follows: Designated Shentong Cards are preloaded by CCC for the purchase of certain insurance (i.e. property and accident insurance) and other products (including IP phone usage payments (IP電話支付), entertainment consumption (chess-type game) payments (娛樂消費(棋牌類遊戲)支付) and unified communications platform payments (統一通信平台支付); CRC Shentong Cards are preloaded with funds paid by cardholders and can only be used for payment of fees for the attendance of CRC education and training courses provided by CRC Training Course Providers and the participation of CRC competition events and currently cannot be used for purchase of goods and services not related to CRC.

Merging of the marketing, promotions and technological support resources in Heilongjiang Province of the PRC would increase the economic efficiency of the Enlarged Group's operations, and the overall card users base of Shentong Cards of the Enlarged Group will greatly increase compared to that of the Group prior to the Acquisition.

(4) The Acquisition is in line with the Board's development strategy to deploy their strengths and capabilities to expand the revenue base of the Group and capture new opportunities offered by the prosperity of PRC market since March 2010 when the Group acquired Shentong Yijia. After the acquisition of the Target Company, both the Group's extensive experience in promoting online gateway payment service and managing smart cards in the PRC and the Group's Board and senior management's strengths and capabilities can be deployed for the future development of the Target Group and financial benefits from the economies of scale are then expected to benefit, and to be in the best interests of, the Company and its Shareholders as a whole.

(5) Prior to the Acquisition, the major revenue components of the Group are generated from the issuance handling fee and sales commission from the sales of new Designated Shentong Cards and the technical service commission from the purchases made by the users through Designated Shentong Cards received from CCC, the single largest customer of the Group who is also a connected person of the Company. The Acquisition is a materialisation of the Group's efforts to explore a new income stream from other customers and will contribute to the depth and breadth of the Enlarged Group's business with a view to alleviating the current heavy reliance on the single largest customer of the Group (i.e. CCC) as set out in the Company's circular dated 26 October 2012. Upon completion of the Acquisition, the customer base of the Enlarged Group will expand to the existing and targeted customers of the Target Group, the majority of which are independent of and not related to the Enlarged Group and its connected persons, and

will therefore become more diversified. A broader revenue base will be generated from Independent Third Parties instead of the Parent Group, which is also in line with the Group's strategy to minimise its reliance on the Parent Group.

As at the date of this announcement, the Company has no intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) in relation to: (i) any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets; (ii) any acquisition/investment of new business or injection of any new business to the Group save for the Acquisition; and (iii) any changes in the Company's shareholding structure and board composition, save for the Placing(s) and the Subscription.

The Directors (other than the independent non-executive Directors whose view will be provided in the letter of the Independent Board Committee to be set out in the circular) consider that the Acquisition and the terms and conditions of the Sale and Purchase Agreement, which were determined after arm's length negotiations between the Purchaser and the Vendor, are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated with reference to Rule 19.07 of the GEM Listing Rules exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, each of Profuse Year and CCI is a connected person of the Company. CCI directly holds approximately 27.54% of the issued share capital of the Company and is therefore a substantial shareholder of the Company and thus a connected person of the Company. Profuse Year is a wholly-owned subsidiary of CCI and thus a connected person of the Company.

Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules and are subject to approval by the Independent Shareholders at the EGM. Those who are involved in or interested in the Acquisition will abstain from voting at the EGM in respect of the resolutions approving the Acquisition and the transactions contemplated thereunder.

The Service Agreement is regarded as one-off transaction agreed upon and entered into prior to Acquisition Completion. As such, the Service Agreement and the transactions contemplated thereunder do not constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

2 THE PLACING(S) AND THE SUBSCRIPTION

In light of the Acquisition, the Directors will seek the approval of the Independent Shareholders at the EGM for the grant of the Placing Specific Mandate and the Subscription Specific Mandate to authorise the Directors to allot and issue the Placing Shares and the Subscription Shares. The proceeds from the Placing(s) and Subscription will primarily be used to settle the Consideration for the Acquisition and for payment of the Service Fee under the Service Agreement by the Target Company, (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general corporate purposes of the Group.

SPECIFIC MANDATES TO ISSUE NEW SHARES

The Placing(s)

Subject to market conditions and the grant of the Placing Specific Mandate, the Company may conduct the Placing(s) to allot and issue the Placing Shares (i.e. up to an aggregate of not more than 670,809,083 new Shares) to professional, institutional and other investors who are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates. None of the Placees shall become a substantial shareholder of the Company immediately after completion of the Placing(s). The maximum number of new Shares to be issued under the Placing(s) represents (i) 51.81% of the existing issued share capital of the Company of 1,294,697,017 Shares as at the date of this announcement; and (ii) approximately 30.21% of the enlarged issued share capital of the Company of 2,220,444,365 Shares immediately after the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares (i.e. 925,747,348 new Shares). The Placing Price and other terms and conditions of the Placing(s) shall be agreed upon and set out in the Placing Agreement(s) to be entered into by the Company and the relevant Placing Agent(s). The proceeds from the Placing(s) will be primarily used to settle the Consideration for the Acquisition and for payment of the Service Fee under the Service Agreement by the Target Company, (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general working capital purposes of the Group.

The Placing Specific Mandate

The Board proposes to seek the grant of a Placing Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Placing Shares (i.e. up to an aggregate of not more than 670,809,083 new Shares) by way of one or more Placing(s).

The major terms and conditions of the Placing Specific Mandate are as follows:

(a) to issue not more than 670,809,083 new Shares to Placee(s);

(b) the Placing Shares will be issued at no less than the higher of (1) HK$0.43 per Share and (2) a discount of not more than 15% to the higher of:

    (i) the closing price per Share of the Company as quoted on the Stock Exchange on the date of any relevant Placing Agreement(s) or other agreement involving the proposed issue of the Placing Shares under the Placing Specific Mandate; and

(ii) the average closing price per Share of the Company as quoted on the Stock Exchange for the last five consecutive full trading days prior to:

(A) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of the Placing Shares under the Placing Specific Mandate;

(B) the date of any relevant Placing Agreement(s) or other agreement involving the proposed issue of the Placing Shares under the Placing Specific Mandate; and

(C) the date of EGM;

(c) the grant of the Placing Specific Mandate is subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM approving such grant;

(d) the issue of new Shares pursuant to the Placing Specific Mandate will be conditional upon the Acquisition Completion and completion of the Subscription (other than any condition as to completion of the Placing(s)); and

(e) the proposed Placing Specific Mandate is for the period from the passing of the relevant resolution at the EGM up to the earlier of:

(i) the date falling three months after the date of the passing of the aforesaid resolution at the EGM; and

(ii) the revocation or variation of the authority given under the relevant resolution(s) at the EGM by ordinary resolution(s) of the Independent Shareholders in a general meeting of the Company.

None of the above conditions to the issue of new Shares under the Placing Specific Mandate may be waived by the Company without the Independent Shareholders' approval.

Subject to market conditions, the Directors may or may not exercise the proposed Placing Specific Mandate, if granted, to issue the Placing Shares and, where the proposed Placing Specific Mandate is exercised, may issue less than or up to the maximum number of the Placing Shares (i.e. 670,809,083 new Shares). It is currently intended that the Placing Specific Mandate sought will cover the Placing Shares to be issued pursuant to one or more potential Placing(s) to be conducted by the Company, and if there is more than one Placing, each Placing will be conducted at the same Placing Price as may be determined by the Company and the relevant Placing Agent(s).

The proposed issuance of new Shares to CCI

Subject to market conditions and the grant of the Subscription Specific Mandate, if the Company proceeds to conduct the potential Placing(s), the Company may allot and issue the Subscription Shares (i.e. up to an aggregate of not more than 254,938,265 new Shares) to CCI and CCI may subscribe for the Subscription Shares to maintain a shareholding of not less than 27.54% of the issued share capital of the Company upon completion of the Placing(s) and the Subscription. The Subscription Shares represent (i) approximately 19.69% of the existing issued share capital of the Company of 1,294,697,017 Shares as at the date of this announcement; and (ii) approximately 11.48% of the issued share capital of the Company of 2,220,444,365 Shares as enlarged by the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company). The Subscription Price and other terms and conditions of the Subscription shall be agreed upon and set out in a Subscription Agreement to be entered into by the Company and CCI.

The Subscription Specific Mandate

The Board proposes to seek the grant of the Subscription Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Subscription Shares (i.e. up to an aggregate of not more than 254,938,265 new Shares) to CCI.

The major terms and conditions of the Subscription Specific Mandate are as follows:

(a) to allot and issue not more than 254,938,265 new Shares to CCI;

(b) immediately after the issuance of the Subscription Shares to CCI, the Company will be able to maintain a minimum public float of 25% as required under Rule 11.23(7) of the GEM Listing Rules;

(c) after the Subscription, CCI holds not more than 30% of the issued share capital of the Company as enlarged by the maximum number of the Subscription Shares and the Placing Shares;

(d) the Subscription Shares will be issued at the Placing Price, and the other terms and conditions will be comparable to or not more favourable than those of the Placing;

(e) the grant of the Subscription Specific Mandate is subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM approving such grant;

(f) the issue of the Subscription Shares will be conditional upon the Acquisition Completion and completion of the Placing(s) (other than any condition as to completion of the Subscription); and

(g) the proposed Subscription Specific Mandate is for the period from the passing of the relevant resolution at the EGM up to the earlier of:

    (i) the date falling three months after the date of the passing of the aforesaid resolution at the EGM; and

    (ii) the revocation or variation of the authority given under the relevant resolution(s) at the EGM by ordinary resolution(s) of the Independent Shareholders in a general meeting of the Company.

None of the above conditions to the issue of new Shares under the Subscription Specific Mandate may be waived by the Company without the Independent Shareholders' approval.

The Subscription Specific Mandate, if granted, will only be exercised by the Directors in the event that the Company proceeds to conduct the Placing(s) and where the proposed Subscription Specific Mandate is exercised, the Directors may issue less than or up to

254,938,265 new Shares, subject to the number of Placing Shares issued by the Company under the Placing(s). The maximum number of Subscription Shares under the Subscription Specific Mandate does not include new Shares that may be subscribed for by CCI or its associates under other equity financing arrangements. If the Company proceeds with the Subscription, the Subscription Shares will be allotted and issued at the Placing Price, and the other terms and conditions of the Subscription will be comparable to or not more favourable than those of the Placing(s). In the event that the Company proceeds with the Placing(s) and the Subscription, it is expected that completion of the Placing(s) and the Subscription shall take place simultaneously. A Subscription Agreement will be entered into between the Company and CCI on this basis.

Sufficiency of public float

The Company will be able to maintain the listing status of the Shares on the Stock Exchange and a minimum public float of not less than 25% as required under Rule 11.23(7) of the GEM Listing Rules upon the issue of new Shares pursuant to the Placing and the Subscription to be conducted under the respective Specific Mandates.

GEM Listing Rules implications

As at the date of this announcement, the Subscriber, CCI, is a connected person of the Company.

Accordingly, the allotment and issue of the Subscription Shares to CCI pursuant to the Subscription Specific Mandate will constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Fund raising activities in the past twelve months

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

Reasons for and benefits the Placing(s) and the Subscription

Subject to market conditions and the grant of the Placing Specific Mandate and the Subscription Specific Mandate, the Company intends to primarily use the proceeds from the Placing(s) and the Subscription to settle the Consideration for the Acquisition and for payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general working capital purposes of the Group. The Directors consider the Placing(s) and the Subscription to be effective methods for raising capital within a reasonable time frame at a reasonable cost to fund the Acquisition, and consider the Placing(s) and the Subscription to be preferable to other fund raising methods such as debt financing as it would not increase the Group's debt level or liabilities. Furthermore, the Placing(s), if conducted, will have the effect of broadening the shareholder base and allow the Company to introduce new financial and/or strategic investors and strengthen the financial position of the Enlarged Group.

The Subscription will allow CCI as the controlling shareholder of the Company to participate in the fund raising arrangements of the Company for the purpose of providing funding to the Company and provide CCI the opportunity to maintain its current shareholding in the Company at 27.54% upon completion of the Placing(s) and the Subscription.

Having regard to the reasons for and the benefits of the Placing(s) and the Subscription, the Directors (other than the independent non-executive Directors whose view will be provided in the letter of the Independent Board Committee to be set out in the circular) consider that the granting of and the terms and conditions of the Placing Specific Mandate and the Subscription Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the Subscription Specific Mandate and the Subscription are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Use of Proceeds

If the Directors exercise the Placing Specific Mandate and the Subscription Specific Mandate and conduct the Placing(s) and the Subscription and assuming that the aggregate maximum number of the Placing Shares and the Subscription Shares of 925,747,348 new Shares will be allotted and issued and that the Placing Price will be HK$0.43 (being the lower limit of the Placing Price at which the Placing Shares and the Subscription Shares may be issued), the net proceeds of the Placing(s) and the Subscription (after deducting related placing commissions, professional fees and related expenses) are expected to be approximately HK$382 million, and will be used in the following manner: (i) for settlement of the Consideration of the Acquisition; (ii) for payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion); and (iii) for general corporate purpose of the Group.

Application for listing of the Placing Shares and the Subscription Shares

If the Company proceeds with the Placing(s) and the Subscription, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares to be issued under the respective Specific Mandates on the GEM.

Effect on the shareholding structure

Assuming that the maximum number of the Placing Shares and the Subscription Shares will be issued, the following table sets out the effects on the shareholding in the Company and the shareholding structure of the Company in terms of the number of Shares and percentage of shareholding as a result of the Placing(s) and the Subscription:

Shareholder	Immediately before completion of the Placing(s) and the Subscription		Immediately after completion of the Placing(s) and the Subscription	
	No. of Shares	*%*	*No. of Shares*	*%*
CCI	356,542,000	27.54	611,480,265	27.54
Public Shareholders				
Yang Shao Hui	209,032,256	16.15	209,032,256	9.41
Friendly Capital Limited	109,900,000	8.49	109,900,000	4.95
Other Shareholders	619,222,761	47.82	619,222,761	27.89
New Shareholders under the Proposed Placing	—	—	670,809,083	30.21
Subtotal	*938,155,017*	*72.46*	*1,608,964,100*	*72.46*
Total	1,294,697,017	100.00	2,220,444,365	100.00

3 CONTINUING CONNECTED TRANSACTIONS

Following the Acquisition, the Target Company and its subsidiaries will become subsidiaries of the Company, and accordingly the Enlarged Group will continue to have certain ongoing transactions with the Parent Group that constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

The Connected Persons

CCC is a connected person of the Company by virtue of its interest in approximately 27.54% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is China Overseas Trade Harbin Prince Wine Co., Ltd. (中國海外貿易哈爾濱王子葡萄酒有限公司), a company established in the PRC with limited liability, and its ultimate beneficial owner is China National Overseas Trading Corporation (中國海外貿易總公司), a state owned enterprise. Mr. He Chenguang, an executive Director and the chairman of the Company, is also 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 is a branch company of China Communication Heilongjiang.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Acquisition Completion, the following transactions will be regarded as continuing connected transactions of our Group under Rule 20.29 of the GEM Listing Rules. As one or more of the relevant percentage ratios as set out in Rule 20.74 of the GEM Listing Rules exceeds 5% and the total consideration exceeds HK$10,000,000 for each of the continuing connected transactions, each of such continuing connected transactions will be subject to the reporting, annual review, announcement, circular and Shareholders' approval requirements (the "**Non-Exempt Continuing Connected Transactions**").

Service fees paid to CCC — Customer Service Hotline Rental Contract

Background

Set out below is a summary of the Customer Service Hotline Rental Contract.

Date

1 January 2013

Parties

CCC as supplier and Heilongjiang Shentong as purchaser.

Services

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

Term

Subject to any subsequent amendments to the Customer Service Hotline Rental Contract is valid, for the period commencing on 1 January 2013 until 31 March 2018, and upon expiry shall be automatically renewed for successive periods of one year unless terminated by either party giving 90 days' written notice prior to the expiry of the term or renewed terms, subject to compliance with the GEM Listing Rules.

Pricing basis

CCC will charge Heilongjiang Shentong (i) an annual fee of RMB20,000 (equivalent to approximately HK$24,316) which is on a pro-rata on a 12-month year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK$0.073) 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, representing a discount of 50% to the nationwide standard rate in the PRC. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time.

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. 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.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Customer Service Hotline Rental Contract for the years ended 31 March 2014 and 2015 were RMB1,258,147 (equivalent to approximately HK$1,586,966) and RMB1,727,421 (equivalent to approximately HK$2,161,167), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB2.0 million (equivalent to approximately HK$2.43 million). The proposed annual caps for the Customer Service Hotline Rental Contract for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB0.67 million (equivalent to approximately HK$0.81 million), RMB2.2 million (equivalent to approximately HK$2.67 million) and RMB2.40 million (equivalent to approximately HK$2.92 million) respectively.

The annual caps are determined with reference to the following factors:

(a) the usage of approximately 240,000 minutes for incoming calls and 240,000 minutes for outgoing calls per month in March 2015;

(b) the conservative growth rates for the year ending March 2016, 2017 and 2018 are expected to be 16%, 10% and 9% respectively; and

(c) a recent historical growth rate of 37%.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees paid to CCC — Server Hosting Agreement

Background

Set out below is a summary of the Server Hosting Agreement:

Date

1 January 2013

Parties

CCC as supplier and Heilongjiang Shentong as purchaser

Services

Subject to the Server Hosting Agreement being further amended and supplemented:

(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; and

(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 ten racks of servers for the use of Heilongjiang Shentong.

Term

Subject to the Server Hosting Agreement being further amended and supplemented, for the period commencing on 1 January 2013 until 31 March 2018, which may be renewed for a term of one year by written notice from Heilongjiang Shentong to CCC filed during the period of 30 days prior to the expiry of the term or renewed terms, subject to compliance with the GEM Listing Rules. Notwithstanding the above, the Server Hosting Agreement may be terminated by Heilongjiang Shentong by 30 days prior written notice.

Pricing basis

Subject to the Server Hosting Agreement being further amended and supplemented, CCC will charge Heilongjiang Shentong a fee of RMB80,000 per month for each server used by Heilongjiang Shentong for the provision of server hosting service and dedicated leased-lines.

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 days from the date of receipt of the relevant demand note.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Server Hosting Agreement for the years ended 31 March 2014 and 2015 were RMB7,680,000 (equivalent to approximately HK$9,687,185) and RMB7,680,000 (equivalent to approximately HK$9,608,407), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB7.68 million (equivalent to approximately HK$9.34 million). The proposed annual caps for the Server Hosting Agreement for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB2.56 million (equivalent to approximately HK$3.11 million), RMB9.60 million (equivalent to approximately HK$11.67 million) and RMB9.60 million (equivalent to approximately HK$11.67 million), respectively.

The annual caps are determined with reference to the following factors:

(a) the contract price of RMB80,000 per month for each server used;

(b) the estimated number of servers required for the year ending 2016, 2017 and 2018 are 8, 10 and 10 respectively;

(c) the usage of 8 servers as at 31 March 2015; and

(d) the estimated usage of two additional servers in-line with the expected growth rate.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees paid to China Communication Heilongjiang — Web Advertising Contract (Heilongjiang Shentong)

Background

Set out below is a summary of the Web Advertising Contract (Heilongjiang Shentong):

Date

1 March 2013

Parties

China Communication Heilongjiang as supplier and 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 the Web Advertising Contract (Heilongjiang Shentong) being further amended and supplemented, for the period commencing on 1 March 2013 until 31 March 2018.

Pricing basis

The rate of charges pursuant to the Web Advertising Contract (Heilongjiang Shentong) are as follows:

(a) From 08:20 to 12:19 (i.e. 4 hours in total), RMB7,000 per day for the 4-hour period with a discount of 35%.

(b) From 12:20 to 15:19 (i.e. 3 hours in total), RMB6,000 per day for the 3-hour period with a discount of 35%.

(c) From 15:20 to 19:19 (i.e. 4 hours in total), RMB7,000 per day for the 4-hour period with a discount of 35%.

(d) From 19:20 to 22:19 (i.e. 3 hours in total), RMB8,000 per day for the 3-hour period with a discount of 35%.

(e) From 22:20 to 01:19 (i.e. 3 hours in total), RMB5,000 per day for the 3-hour period with a discount of 35%.

Heilongjiang Shentong confirms that the advertising fees to be charged by China Communication Heilongjiang for each advertisement to be placed by Heilongjiang Shentong shall be determined according to the proposed publication timeslots and duration.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Web Advertising Contract (Heilongjiang Shentong) for the years ended 31 March 2014 and 2015 were RMB1,896,091 (equivalent to approximately HK$2,391,639) and RMB5,621,115 (equivalent to approximately HK$7,032,547), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB2.10 million (equivalent to approximately HK$2.55 million). The proposed annual caps for the Web Advertising Contract (Heilongjiang Shentong) for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB0.70 million (equivalent to approximately HK$0.85 million), RMB2.25 million (equivalent to approximately HK$2.74 million) and RMB2.45 million (equivalent to approximately HK$2.98 million), respectively.

The annual caps are determined with reference to the following factors:

(a) the average contract price of RMB6,600 per section with a discounted price of RMB4,290 per section;

(b) the estimated number of sections to be used are 490, 520 and 570 for the year ending 31 March 2016, 2017 and 2018 respectively;

(c) the latest financial information provided by the Target Group; and

(d) the advertising expense incurred from April to August 2015 was approximately RMB0.88 million in total or RMB0.18 million per month; which is relatively lower than the recent historical expense of RMB5.6 million in total or RMB0.47 million per month for the year ending 31 March 2015. A decrease is therefore expected for the year ending 31 March 2016.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees paid to China Communication Heilongjiang — Web Advertising Contract (Daqing Shentong)

Background

Set out below is a summary of Web Advertising Contract (Daqing Shentong):

Date

1 April 2014

Parties

China Communication Heilongjiang as supplier and Daqing Shentong as purchaser

Services

Daqing Shentong agreed to place and China Communication Heilongjiang agreed to arrange for the web advertisements of Daqing Shentong be published on the internet. 24-hour technical support services shall also be provided by China Communication Heilongjiang to Daqing Shentong to handle all technical issues arising out the publication of the advertisements.

Term

Subject to the Web Advertising Contract (Daqing Shentong) being further amended and supplemented, for the period commencing on 1 April 2014 until 31 March 2018.

Pricing basis

The rate of charges pursuant to the Web Advertising Contract (Daqing Shentong) are as follows:

(a) From 08:20 to 12:19 (i.e. 4 hours in total), RMB7,000 per day for the 4-hour period with a discount of 35%.

(b) From 12:20 to 15:19 (i.e. 3 hours in total), RMB6,000 per day for the 3-hour period with a discount of 35%.

(c) From 15:20 to 19:19 (i.e. 4 hours in total), RMB7,000 per day for the 4-hour period with a discount of 35%.

(d) From 19:20 to 22:19 (i.e. 3 hours in total), RMB8,000 per day for the 3-hour period with a discount of 35%.

(e) From 22:20 to 01:19 (i.e. 3 hours in total), RMB5,000 per day for the 3-hour period with a discount of 35%.

Daqing Shentong confirms that the advertising fees to be charged by China Communication Heilongjiang for each advertisement to be placed by Daqing Shentong shall be determined according to the proposed publication timeslots and duration.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Web Advertising Contract (Daqing Shentong) for the years ended 31 March 2014 and 2015 were nil and RMB2.15 million (equivalent to approximately HK$2.68 million), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB50,000 (equivalent to approximately HK$61,000). The proposed annual caps for the Web Advertising Contract (Daqing Shentong) for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB17,000 (equivalent to approximately HK$21,000), RMB50,000 (equivalent to approximately HK$61,000) and RMB50,000 (equivalent to approximately HK$61,000), respectively.

The annual caps are determined with reference to the following factors:

(a) the average contract price of RMB6,600 per section with a discounted price of RMB4,290 per section;

(b) the estimated number of sections to be used is 11 for the year ending 31 March 2016, 2017 and 2018 respectively;

(c) the latest financial information provided by the Target Group; and

(d) the advertising expense incurred from April to August 2015 was nil; which is lower than the recent historical expense of RMB2.15 million in total or RMB0.18 million per month for the year ending 31 March 2015. A decrease is therefore expected for the year ending 31 March 2016.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees to CCC — Heilongjiang Shentong CRC Shentong Card Payment System Contract

Background

Set out below is a summary of the Heilongjiang Shentong CRC Shentong Card Payment System Contract:

Date

1 January 2013

Parties

CCC as supplier and Heilongjiang Shentong as purchaser

Services

CCC shall provide Heilongjiang Shentong the right to use Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

Term

Subject to the Heilongjiang Shentong CRC Shentong Card Payment System Contract being further amended and supplemented, for the period commencing on 1 January 2013 to 31 March 2018, which upon expiry shall be automatically renewed for further periods of three years unless otherwise terminated by Heilongjiang Shentong.

Pricing basis

Heilongjiang Shentong shall be responsible for the payment of a fee which is 6% of its overall income (including income from training and competitions) which payment is made through and processed by the Shentong Card integrated payment management system to CCC.

Subject to the Heilongjiang Shentong CRC Shentong Card Payment System Contract being further amended and supplemented, CCC is required to pay RMB4.5 million (equivalent to approximately HK$5.47 million) clearing security deposit (結算保證金) to Heilongjiang. CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven working days after the end of the relevant month and CCC shall pay to Heilongjiang Shentong within 30 working days after the end of the relevant month for settlement of the funds.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Heilongjiang Shentong CRC Shentong Card Payment System Contract for the years ended 31 March 2014 and 2015 were RMB1.79 million (equivalent to approximately HK$2.26 million) and RMB3.00 million (equivalent to approximately HK$3.75 million), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB2.80 million (equivalent to approximately HK$3.40 million). The proposed annual caps for the Heilongjiang Shentong CRC Shentong Card Payment System Contract for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB1.20 million (equivalent to approximately HK$1.46 million), RMB3.40 million (equivalent to approximately HK$4.13 million) and RMB4.40 million (equivalent to approximately HK$5.35 million), respectively.

The annual caps are determined with reference to the following factors:

(a) 6% of the historical revenues generated by the CRC Shentong Card;

(b) the historical consolidated revenue generated via CRC Shentong Card for the year ending 31 March 2014 and 2015 are RMB30 million and RMB53 million, representing an increase by 78%;

(c) a conservative estimation of future growth rate on the revenue are Nil, 20% and 31% for the year ending 31 March 2016, 2017 and 2018 respectively; and

(d) a recent historical growth rate of 78%.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees to CCC — Daqing Shentong CRC Shentong Card Payment System Contract

Background

Set out below is a summary of the Daqing Shentong CRC Shentong Card Payment System Contract:

Date

1 June 2014

Parties

CCC as supplier and Daqing Shentong as purchaser

Services

CCC shall provide Daqing Shentong the right to use Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

Term

Subject to the Daqing Shentong CRC Shentong Card Payment System Contract being further amended and supplemented, for the period from 1 June 2014 to 31 March 2018, which upon expiry shall be automatically renewed for further periods of three years unless otherwise terminated by Daqing Shentong.

Pricing basis

Daqing Shentong shall be responsible for the payment of a fee which is 6% of its overall income (including income from training and competitions) which payment is made through and processed by the Shentong Card integrated payment management system to CCC.

CCC is required to pay RMB0.5 million (equivalent to approximately HK$0.6 million) clearing security deposit (結算保證金) to Daqing Shentong. CCC and Daqing Shentong shall undergo settlement reconciliation within seven working days after the end of the relevant month and CCC shall pay to Heilongjiang Shentong within 30 working days after the end of the relevant month for settlement of the funds.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Daqing Shentong CRC Shentong Card Payment System Management Agreement for the years ended 31 March 2014 and 2015 were nil and RMB264,440 (equivalent to approximately HK$330,840), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB0.35 million (equivalent to approximately HK$0.43 million). The proposed annual caps for the Daqing Shentong CRC Shentong Card Payment System Management Agreement for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB0.18 million (equivalent to approximately HK$0.22 million), RMB0.45 million (equivalent to approximately HK$0.55 million) and RMB0.55 million (equivalent to approximately HK$0.67 million), respectively.

The annual caps are determined with reference to the following factors:

(a) 6% of the historical revenues generated by the CRC Shentong Card;

(b) the historical consolidated revenue generated via CRC Shentong Card for the year ending 31 March 2014 and 2015 are RMB30 million and RMB53 million, representing an increase by 78%;

(c) a conservative estimation of future growth rate on the revenue are 22%, 35% and 19% for the year ending 31 March 2016, 2017 and 2018 respectively; and

(d) a recent historical growth rate of 78%.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is fair and reasonable.

Services fees to China Communication Heilongjiang — Website Maintenance Contract

Background

Set out below is a summary of the Website Maintenance Contract:

Date

1 January 2013

Parties

China Communication Heilongjiang as supplier and Heilongjiang Shentong as purchaser

Services

China Communication Heilongjiang has designated a team of not less than 20 IT technicians to provide website production and maintenance service in the PC, Android and iOS platform for the website of the Heilongjiang Shentong.

Term

Subject to the Website Maintenance Contact being further amended and supplemented, for the period commencing on 1 January 2013 until 31 March 2018.

Pricing basis

China Communication Heilongjiang charges Heilolngjiang Shentong a monthly fee of RMB0.45 million (equivalent to approximately HK$0.55 million).

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Website Maintenance Agreement for the years ended 31 March 2014 and 2015 were RMB5.40 million (equivalent to approximately HK$6.81 million) and RMB5.40 million (equivalent to approximately HK$6.76 million), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB5.40 million (equivalent to approximately HK$6.57 million). The proposed annual caps for the Website Maintenance Contract for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB1.80 million (equivalent to approximately HK$2.19 million), RMB5.40 million (equivalent to approximately HK$6.57 million) and RMB5.40 million (equivalent to approximately HK$6.57 million), respectively.

The annual caps are determined with reference to the monthly rental fee of RMB450,000. The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is reasonable.

Rental fees to Harbin China Communication Skill Training — Harbin China Communication Skill Training Venue Rental Agreement

Background

Set out below is a summary of the Harbin China Communication Skill Training Venue Rental Agreement:

Date

1 March 2013

Parties

Harbin China Communication Skill Training as supplier and Heilongjiang Shentong as purchaser

Services

Provision of venue, cleaning services and electricity from Harbin China Communication Skill Training to Heilongjiang Shentong for holding conference or training.

Term

Subject to the Harbin China Communication Skill Training Venue Rental Agreement being further amended and supplemented, for the period commencing on 1 March 2013 until 31 March 2018.

Pricing basis

Harbin China Communication Skill Training charges Heilongjiang Shentong (i) accommodation charge at daily rate ranging from RMB318 to RMB1,888 (equivalent to approximately HK$387 to HK$2,295) 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$2,188 to HK$6,079) for every four hours with a discount of 20% to 50% according to different level of management authority; (iii) food and beverage and supportive services will be charged on actual usage based on a pre-determined services fee.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the Harbin China Communication Skill Training Venue Rental Agreement for the years ended 31 March 2014 and 2015 were RMB353,201 (equivalent to approximately HK$445,511) and RMB390,179 (equivalent to approximately HK$488,151), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB40,000 (equivalent to approximately HK$49,000). The proposed annual caps for the Harbin China Communication Skill Training Venue Rental Agreement for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB40,000 (equivalent to approximately HK$49,000), RMB55,000 (equivalent to approximately HK$67,000) and RMB65,000 (equivalent to approximately HK$79,000), respectively.

The annual caps are determined with reference to the following factors:

(a) the expenditures for the year ending March 2014 and 2015 were RMB0.35 million and RMB0.39 million;

(b) the average expenditure from April to September 2015 was nil. The estimated amount for the year ending March 2016 is therefore relatively lower; and

(c) for the year ending 31 March 2014 and 2015, Heilongjiang Shentong was in the development stage, therefore meetings were frequently held for the development of strategies and discussion of business matters. For the year ending 31 March 2016 onwards, as the operation of Heilongjiang Shentong matures, it is expected that fewer meetings would be held.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is reasonable.

Rental fees to China Communication Heilongjiang Bin County Branch — China Communication Heilongjiang Bin County Branch Venue Rental Contract

Background

Set out below is a summary of the China Communication Heilongjiang Bin County Branch Venue Rental Contract:

Date

1 March 2013

Parties

China Communication Heilongjiang Bin County Branch as supplier and Heilongjiang Shentong as purchaser

Services

Provision of venue from China Communication Heilongjiang Bin County Branch to Heilongjiang Shentong for holding of competition.

Term

Subject to the China Communication Heilongjiang Bin County Branch Venue Rental Contract being further amended and supplemented, for the period commencing on 1 March 2013 until 31 March 2018.

Pricing basis

China Communication Heilongjiang Bin County Branch charges Heilongjiang Shentong rental at a rate of RMB25,000 (equivalent to approximately HK$30,395) per hour.

As advised by the Company and based on information available from the Vendor and the Target Group, 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 and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The historical transaction amounts under the China Communication Heilongjiang Bin County Branch Venue Rental Contract for the years ended 31 March 2014 and 2015 were RMB820,000 (equivalent to approximately HK$1,034,308) and RMB510,000 (equivalent to approximately HK$638,058), respectively.

The estimated transaction amount for the year ending 31 March 2016 is approximately RMB0.47 million (equivalent to approximately HK$0.57 million). The proposed annual caps for the China Communication Heilongjiang Bin County Branch Venue Rental Contract for each of the period commencing on the date of completion of the proposed Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB0.20 million (equivalent to approximately HK$0.24 million), RMB0.70 million (equivalent to approximately HK$0.85 million) and RMB0.75 million (equivalent to approximately HK$0.91 million), respectively.

The annual caps are determined with reference to the following factors:

(a) the contract price of RMB25,000 per hour;

(b) the estimated hours to be leased for the year ending March 2016, 2017 and 2018 are 19, 28 and 30 respectively; and

(c) the recent monthly rental fee of approximately RMB60,000 per month. The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the basis for determining the annual cap is reasonable.

GENERAL

EGM

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, among other things, the Acquisition, the Specific Mandates, the Non-Exempt Continuing Connected Transactions and the respective transactions contemplated thereunder.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Acquisition, the proposed grant of the Specific Mandates shall abstain from voting on the resolution(s) to approve the Acquisition or the Specific Mandates and the respective transactions contemplated thereunder at the EGM. The Subscriber, CCI, will abstain from voting on the relevant resolution(s) at the EGM accordingly. Save for the Subscriber, to the best of knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Acquisition or the Specific

Mandates and will be required to abstain from voting on the resolution(s) to approve the Acquisition or the Specific Mandates and the respective transactions contemplated thereunder at the EGM.

The Company will despatch a circular in accordance with the requirements under the GEM Listing Rules, which will contain, among other things: (i) further information on the Acquisition; (ii) further information on the proposed grant of the Specific Mandates; (iii) the Continuing Connected Transactions; (iv) the recommendations from the Independent Board Committee; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (vi) financial information of the Group; (vii) accountants' report of the Target Group; (viii) unaudited pro forma financial information of the Enlarged Group; and (ix) notice of the EGM. The Company expects that the circular will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 December 2015, since it is expected that further time is required to finalise the contents and the reports to be included in the circular.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee will be established to consider the terms of the Acquisition, the proposed grant of the Specific Mandates and the Non-Exempt Continuing Connected Transactions and advise the Independent Shareholders as to whether the terms of the Acquisition, the proposed grant of the Specific Mandates and entering into of the Non-Exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to give its recommendation as to voting in respect of the proposed resolution(s) at the EGM. In this connection, the Company has appointed an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Acquisition is subject to a number of conditions, including approval from the Independent Shareholders and the satisfaction and/or waiver of the conditions precedent in the Sale and Purchase Agreement, which may or may not be fulfilled and therefore the Acquisition Completion may or may not take place. As at the date of this announcement, the Company has not entered into any binding agreement with respect to the Placing(s) and Subscription proposed for, among others, the settlement of the Consideration and for payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion). The terms and conditions of the Placing(s) and the Subscription have not yet been finalised, and the Placing(s) and Subscription may or may not proceed subject to the then market conditions and the grant of the respective Specific Mandates from the Independent Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"%"	per cent.
"Acquisition"	the conditional acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
"Acquisition Completion"	completion of the Acquisition
"Acquisition Completion Date"	the day on which the last of the conditions precedent in the Sale and Purchase Agreement have been satisfied or waived or such other day as the Purchaser may agree
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Beijing Shentong"	Beijing Shentong Culture Club Co., Ltd. (北京神通文化俱樂部有限公司), a company established under the laws of the PRC on 30 January 2008 and is a wholly-owned subsidiary of CCC
"Board"	the board of Directors
"Bulletin 7"	the tax notice issued by the State Administration of Taxation of the PRC titled "State Administration of Taxation's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (State Administration of Taxation Bulletin [2015] No. 7 (國家稅務總局公告2015年第7號))", as may be amended or supplemented from time to time and including any similar or replacement notice or law on the PRC tax treatment of, among others, offshore indirect transfers of equity interests in PRC resident enterprises and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the Enterprise Income Tax Law of the PRC, including any applicable laws in the PRC against the avoidance of PRC tax
"CCC"	China Communication Group Co., Ltd.* (神州通信集團有限公司), a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in approximately 27.54% of the issued share capital of the Company through CCI, its wholly-owned subsidiary

"CCI"	China Communication Investment Limited (神州通信投資有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CCC, which directly holds approximately 27.54% of the issued share capital of the Company and therefore is a substantial Shareholder
"CCI HK"	China Communication Investment (H.K.) Limited (神州通信投資(香港)有限公司), a company incorporated in Hong Kong with limited liability on 9 April 2013 and is a wholly-owned subsidiary of the Target Company
"China Communication Heilongjiang"	China Communication Heilongjiang Co., Ltd. (神州通信黑龍江有限公司), 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"	China Communication Heilongjiang Co., Ltd. Bin County Branch Company (神州通信黑龍江有限公司賓縣分公司), 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 1 March 2013 entered into between China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong (as amended and supplemented by a supplemental agreement dated 8 December 2015)
"Company"	China Communication Telecom Services Company Limited (神通電信服務有限公司), a company incorporated in the Cayman Islands with limited liability on 23 May 2002, the Shares of which are listed on GEM (Stock Code: 8206)
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the total consideration payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement for all the Sales Shares, being HK$30 million
"CRC"	China Robot Competition (全國素質體育機器人運動會)
"CRC Organisation Contract"	the quality education robotics competition organisation contract (素質體育 — 機器人大賽主辦合同書) dated 9 May 2011 entered into between the Social Sports Direction Centre of the General Administration of Sport and Beijing Shentong, as amended and supplemented by the CRC Organisation Contract First Supplemental Agreement and the CRC Organisation Contract Second Supplemental Agreement

"CRC Organisation Contract First Supplemental Agreement"	the supplemental agreement to the CRC Organisation Contract (《素質體育 — 機器人大賽主承辦合同書》補充協議) dated 15 July 2014 entered into between the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and Beijing Shentong
"CRC Organisation Contract Second Supplemental Agreement"	the cooperation period supplemental agreement to the CRC Organisation Contract (《素質體育機器人大賽主辦合同書》合作期補充協議) dated 18 November 2015 entered into between the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and Beijing Shentong
"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
"CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorisation Agreement"	the agreement in relation to the sole and exclusive right to use the CRC Shentong Card payment system dated 21 November 2015 entered into between CCC and Heilongjiang Shentong
"CRC Training Course Providers"	schools and training organisations in Heilongjiang Province of the PRC registered with the Social Sports Direction Centre of the General Administration of Sport as official CRC training centres which provide CRC training courses
"CRC Working Committee"	CRC Working Committee (中國素質體育機器人工作委員會), a standing management organisation (常設管理機構) established under the working principles of the General Administration of Sport TiQunZi [2012] No. 96 Document (國家體育總局體群字[2012] 96號文件) and the resolutions of the Third Working Meeting of the CRC Working Committee
"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 by a supplemental agreement dated 8 December 2015)
"Daqing Shentong"	Daqing Shentong Cultural Club Co., Ltd.* (大慶市神通文化俱樂部有限公司), a company established under the laws of the PRC on 16 June 2011 and a wholly-owned subsidiary of Heilongjiang Shentong

"Daqing 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 June 2014 entered into between CCC and Daqing Shentong (as amended and supplemented by a supplemental agreement dated 21 November 2015)
"Designated Shentong Card"	an electronic smart card "Shentong Card" (神通卡) currently managed by the Group, for use in payment of insurances, mobile and fixed line phone recharge fees, online trading fees
"Director(s)"	director(s) of the Company
"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 Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions
"Enlarged Group"	the Group and the Target Group
"Exclusive Rights"	the exclusive right to use the CRC Shentong Card payment system in Heilongjiang Province of the PRC; and the exclusive right to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Global Luck"	Global Luck Investment Limited (福陽投資有限公司), a company incorporated in Hong Kong with limited liability on 3 June 2013 and a wholly-owned subsidiary of CCI HK
"Group"	the Company together with its subsidiaries
"Harbin China Communication Skill Training"	Harbin China Communication Skill Training Co., Ltd (哈爾濱神州通信技能培訓有限公司), 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 1 March 2013 entered into between Heilongjiang Shentong and Harbin China Communication Skill Training (as amended and supplemented by a supplemental agreement dated 8 December 2015)

"Heilongjiang CRC Authorisation"	the national robotics sport competition authorisation (全國機器人運動大賽承辦授權書) dated 5 January 2013 made by Beijing Shentong in favour of Heilongjiang Shentong as amended by Heilongjiang CRC Authorisation Supplemental Agreement
"Heilongjiang CRC Authorisation Supplemental Agreement"	the supplemental agreement to the national robotics sport competition authorisation (《全國機器人運動大賽承辦授權書》補充協議) dated 21 November 2015)
"Heilongjiang Shentong"	Heilongjiang Shentong Cultural Club Co., Ltd.* (黑龍江神通文化俱樂部有限公司), a company established under the laws of the PRC on 29 January 2013 and a wholly-owned subsidiary of the Target 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 1 January 2013 entered into between CCC and Heilongjiang Shentong (as amended and supplemented by a supplemental agreement dated 15 September 2015 and a further supplemental agreement dated 21 November 2015)
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee comprising Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li, all being the independent non-executive Directors, established to advise the Independent Shareholders as to the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions
"Independent Financial Adviser"	Nuada Limited, a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions
"Independent Shareholder(s)"	shareholders other than the Vendor, the Subscriber and their respective associates, and Shareholders who are connected to or otherwise associated with the Vendor, the Subscriber and their respective associates or interested in the Acquisition, the Placing Specific Mandate and/or the Subscription Specific Mandate and/or the Non-Exempt Continuing Connected Transactions

"Independent Third Party"	an individual or a company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of and not connected with the Group and any of the directors, chief executive, substantial shareholders of any of the Company and its subsidiaries (as defined under the GEM Listing Rules)
"Non-Exempt Continuing Connected Transactions"	the transactions described in the section titled "Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions" which will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules upon Acquisition Completion
"Parent Group"	CCC and its subsidiaries and, for the purpose of this announcement, excluding the Group and the Target Group
"Placee(s)"	investor(s) procured by the Placing Agent(s) to subscribe for any of the Placing Shares
"Placing(s)"	one or more potential share placement(s) to be conducted by the Company, pursuant to which new Shares will be issued to professional, institutional and other investors
"Placing Agent(s)"	the placing agent(s) to be appointed by the Company to use its best efforts to procure Placees to purchase the Placing Shares
"Placing Agreement(s)"	the placing agreement(s) to be entered into between the Company and the Placing Agent in relation to the Placing(s)
"Placing Price"	the price per Share at which the Placing Shares will be issued at pursuant to the Placing Agreement
"Placing Share(s)"	up to 670,809,083 Shares to be allotted and issued by the Company under the Placing Specific Mandate
"Placing Specific Mandate"	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM to allot and issue the Placing Shares at the Placing Price
"PRC"	the People's Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
"PRC Legal Advisers"	China Commercial Law Firm, Guang Dong (廣東華商律師事務所), the PRC legal advisers to the Target Group and the Company
"Profuse Year"	Profuse Year Limited, a company incorporated in the British Virgin Islands with limited liability on 22 April 2015, and a wholly-owned subsidiary of CCI

"Purchaser"	the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 9 December 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Sale Shares"	the entire issued share capital of the Target Company
"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 by a supplemental agreement dated 8 December 2015)
"Service Agreement"	the service agreement dated 21 November 2015 entered into by CCI and the Target Company in relation to certain services provided by CCI to the Target Company
"Service Fee"	the fee in the amount of HK$350,000,000 payable by the Target Company to CCI under the Service Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued and unissued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"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 Yijia"	Beijing Shentong Yijia Technology Services Company Limited* (北京神通益家科技服務有限公司), a company established under the laws of the PRC on 19 November 2009 as a foreign-owned enterprise, and an indirect whollyowned subsidiary of the Company
"Specific Mandate(s)"	the Placing Specific Mandate and the Subscription Specific Mandate
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Subscriber"	CCI
"Subscription"	the potential subscription of Subscription Shares by the Subscriber at the Subscription Price

"Subscription Agreement"	the subscription agreement to be entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Price"	the subscription price per Subscription Share which shall be equivalent to the Placing Price
"Subscription Share(s)"	up to 254,938,265 Shares to be allotted and issued by the Company under the Subscription Specific Mandate
"Subscription Specific Mandate"	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM to allot and issue the Subscription Shares at the Subscription Price
"substantial shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Target Company"	Copious Link Ventures Limited, a company incorporated in the British Virgin Islands with limited liability on 26 March 2015 and a wholly-owned subsidiary of CCI as at the date of this announcement
"Target Group"	collectively, the Target Group Companies
"Target Group Companies"	the Target Company and the Target Subsidiaries
"Target Subsidiaries"	CCI HK, Global Luck, Heilongjiang Shentong and Daqing Shentong
"Valuer"	Grant Sherman Appraisal Limited (中證評估有限公司), an independent professional valuer
"Vendor"	Profuse Year
"Web Advertising Contract (Daqing Shentong)"	the network advertising cooperation contract (網絡廣告合作合同) dated 1 April 2014 entered into between China Communication Heilongjiang and Daqing Shentong (as amended and supplemented by a supplemental agreement dated 8 December 2015)
"Web Advertising Contract (Heilongjiang Shentong)"	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 by a supplemental agreement dated 8 December 2015)

"Website Maintenance Contract"	the maintenance contract (維護合同) dated 1 January 2013 entered into between China Communication Heilongjiang and Heilongjiang Shentong (as amended and supplemented by a supplemental agreement dated 8 December 2015)

By order of the Board
China Communication Telecom Services Company Limited
He Chenguang
Chairman

Hong Kong, 9 December 2015

As at the date of this announcement, the executive Directors are Mr. He Chenguang and Mr. Bao Yueqing, and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li.

This announcement, 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.ccpi.com.hk.

The English translation of company names in Chinese which are marked with "" is for identification purpose only. If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.2158 to HK$1.00. 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.

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

Appendix

A. LETTER FROM THE FINANCIAL ADVISER

CIMB

CIMB Securities Limited
Units 7706–08, Level 77,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong.

9 December 2015

The Directors
China Communication Telecom Services Company Limited
Units 2115–6, 21/F,
China Merchants Tower, Shun Tak Centre,
168–200 Connaught Road Central,
Hong Kong.

Dear Sirs,

We refer to the appraisal report dated 9 December 2015 (the "**Report**") prepared by Grant Sherman Appraisal Limited (the "**Valuer**") in relation to the appraisal of the fair market value of the exclusive rights of Copious Link Ventures Limited and its subsidiaries (the "**Target Group**") to use the CRC Shentong Card payment system and to organise and develop CRC competition events and to provide CRC education and training courses in the Heilongjiang Province of the PRC (the "**Exclusive Rights**") as at 21 November 2015 (the "**Valuation**").

We note that the Valuation, which has been prepared on a discounted cash flow basis under the income approach, is regarded as a profit forecast (the "**Forecast**") under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

We have not independently verified the computations leading to the Valuer's determination of the fair market value of the Exclusive Rights of the Target Group. We have had no role or involvement and have not provided any assessment of the fair market value of the Exclusive Rights of the Target Group. Accordingly, save as expressly stated in this letter, nothing in this letter should be construed as an opinion or view as to the fair market value or any other value of the Exclusive Rights of the Target Group.

This letter is issued for the purpose of reporting solely to you in compliance with the requirement under Rule 19.62(3) of the GEM Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Valuation or the Forecast, nor the adoption of accounting policies thereof. Our work does not constitute any valuation of the Exclusive Rights of the Target Group. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We have discussed with you, the management of the Target Group and the Valuer the information and documents which formed part of the bases and assumptions upon which the Forecast has been prepared, for which you are solely responsible. We have also considered the letter from RSM Hong Kong dated 9 December 2015 addressed to yourselves as set out in this Appendix regarding the calculations of the discounted cash flows in accordance with the bases and assumptions adopted by you as set out in the Valuation. We have noted that the Forecast does not involve the adoption of accounting policies of the Company. The Forecast is based on a number of bases and assumptions. As the relevant assumptions are related to future events which may or may not occur, the actual financial performance contributed by the Exclusive Rights of the Target Group may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer, for which the Valuer and the Company are responsible, we are satisfied that the Forecast, for which you are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully,
For and on behalf of
CIMB Securities Limited

Kenneth Tseung	**James Li**
Managing Director	*Director*

B. LETTER FROM THE REPORTING ACCOUNTANTS

RSM

RSM Hong Kong
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

9 December 2015

INDEPENDENT ASSURANCE REPORT OF CALCULATIONS OF VALUATION OF THE EXCLUSIVE RIGHTS OF COPIOUS LINK VENTURES LIMITED AND ITS SUBSIDIARIES AS AT 21 NOVEMBER 2015

TO THE BOARD OF DIRECTORS OF CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Grant Sherman Appraisal Limited dated 9 December 2015 of the exclusive rights of Copious Link Ventures Limited and its subsidiaries (hereinafter collectively referred to as the "Target Group") to use the CRC Shentong Card payment system and to organise and develop CRC competition events and to provide CRC education and training courses in the Heilongjiang Province of the PRC (the "Exclusive Rights") as at 21 November 2015 (the "Valuation") is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and will be included in an announcement to be issued by China Communication Telecom Services Company Limited (the "Company") dated 9 December 2015 (the "Announcement").

Responsibilities of directors for the discounted estimated future cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in pages 9 to 10 of the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Responsibilities of RSM Hong Kong

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 19.62(2) of the

GEM Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Exclusive Rights of the Target Group.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong