THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in China Communication Telecom Services Company Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company. Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

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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
(4) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

CIMB

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

Nuada Limited
Corporate Finance Advisory

A letter from the Board is set out from pages 11 to 137 of this circular. A letter from the Independent Board Committee is set out on page 138 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out from pages 140 to 185 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 16 February 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-6 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon, and return the same to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting (or any adjournment of such meeting) should you so wish.

This circular will remain on the "Latest Company Announcements" page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Group at www.ccpi.com.hk.

31 December 2015

CHARACTERISTICS OF GEM

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"%"	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 which is expected to take place as soon as practicable on the date of and following the completion of the Placing(s) and the Subscription
"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 indirect 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)
"CIC Report"	independent industry research report in relation to smart card and robotics education industry in the PRC prepared by the Independent Industry Consultant dated 9 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 — 機器人大賽主承辦合同書) 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 — 機器人大賽主承辦合同書》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 is 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 the 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 is 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 Industry Consultant"	China Insights Consultancy Limited (灼識企業管理諮詢(上海)有限公司), an independent industry consultant commissioned by the Company to prepare an industry report in relation to the smart card and robotics education industry in the PRC
"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), which, 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)
"Latest Practicable Date"	21 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Letter Agreement"	the letter agreement dated 28 December 2015 entered into among the Purchaser, the Vendor and CCI in relation to the extension of the last date for the conditions precedent under the Sale and Purchase Agreement to be satisfied or waived by the Purchaser to 16 May 2016

"Non-Exempt Continuing Connected Transactions"	the transactions described in the section headed "Letter from the Board — 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 circular, 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(s) 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 circular, 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

"Reorganisation"	the reorganisation of the Target Group for the purposes of the Acquisition, details of which are set out in the section headed "Information on the Target Group — History and Development of the Target Group — Reorganisation"
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 9 December 2015 entered into among the Purchaser, the Vendor and CCI in relation to the Acquisition as supplemented by the Letter Agreement
"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 wholly-owned subsidiary of the Company

"Specific Mandates"	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 circular
"Target Group"	the Target Company and the Target Subsidiaries
"Target Subsidiaries"	CCI HK, Global Luck, Heilongjiang Shentong and Daqing Shentong, all being wholly-owned subsidiaries of the Target Company as at the date of this circular
"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)

References to time and dates in this circular are to time and dates in Hong Kong.

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

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)

Executive Directors:
Mr. He Chenguang *(Chairman)*
Mr. Bao Yueqing *(Chief Executive Officer)*

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

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Units 2115–2116
21/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

31 December 2015

To the Shareholders

Dear Sir or Madam,

(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
(4) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2015 in relation to, among other things, the Acquisition, the proposed grant of the Placing Specific Mandate and the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions.

The purpose of this circular is to provide you with (i) further information on the Acquisition; (ii) further information on the proposed grant of the Placing Specific Mandate and the Subscription Specific Mandate; (iii) further information on the Non-Exempt 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; (ix) valuation report prepared by the valuer; and (x) notice of the EGM.

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

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.

Completion will be conditional upon the fulfilment or waiver of all the conditions precedent set out under 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 circular. 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 circular. Profuse Year and CCI are therefore connected persons of the Company.

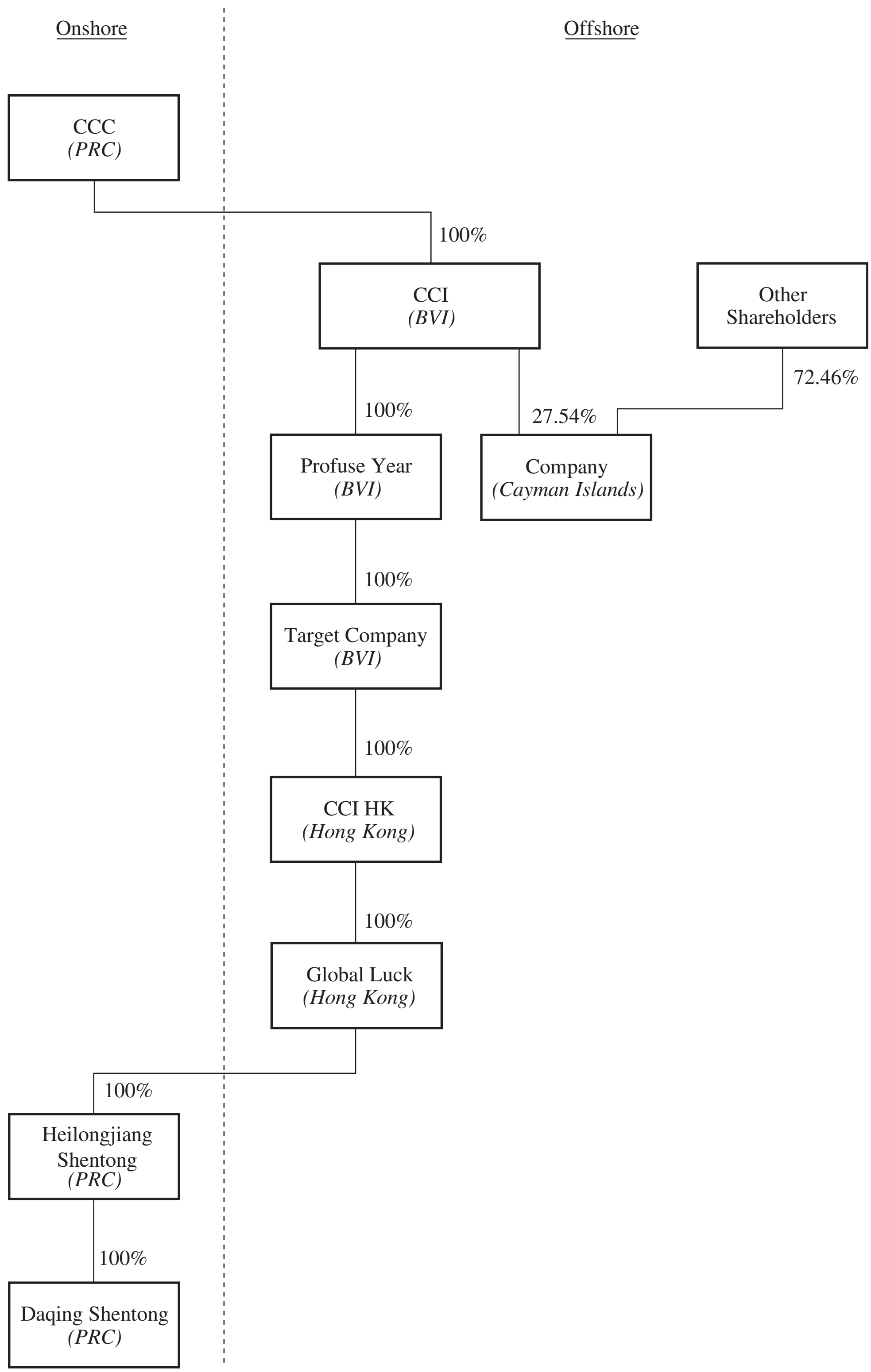
Subject matter

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.

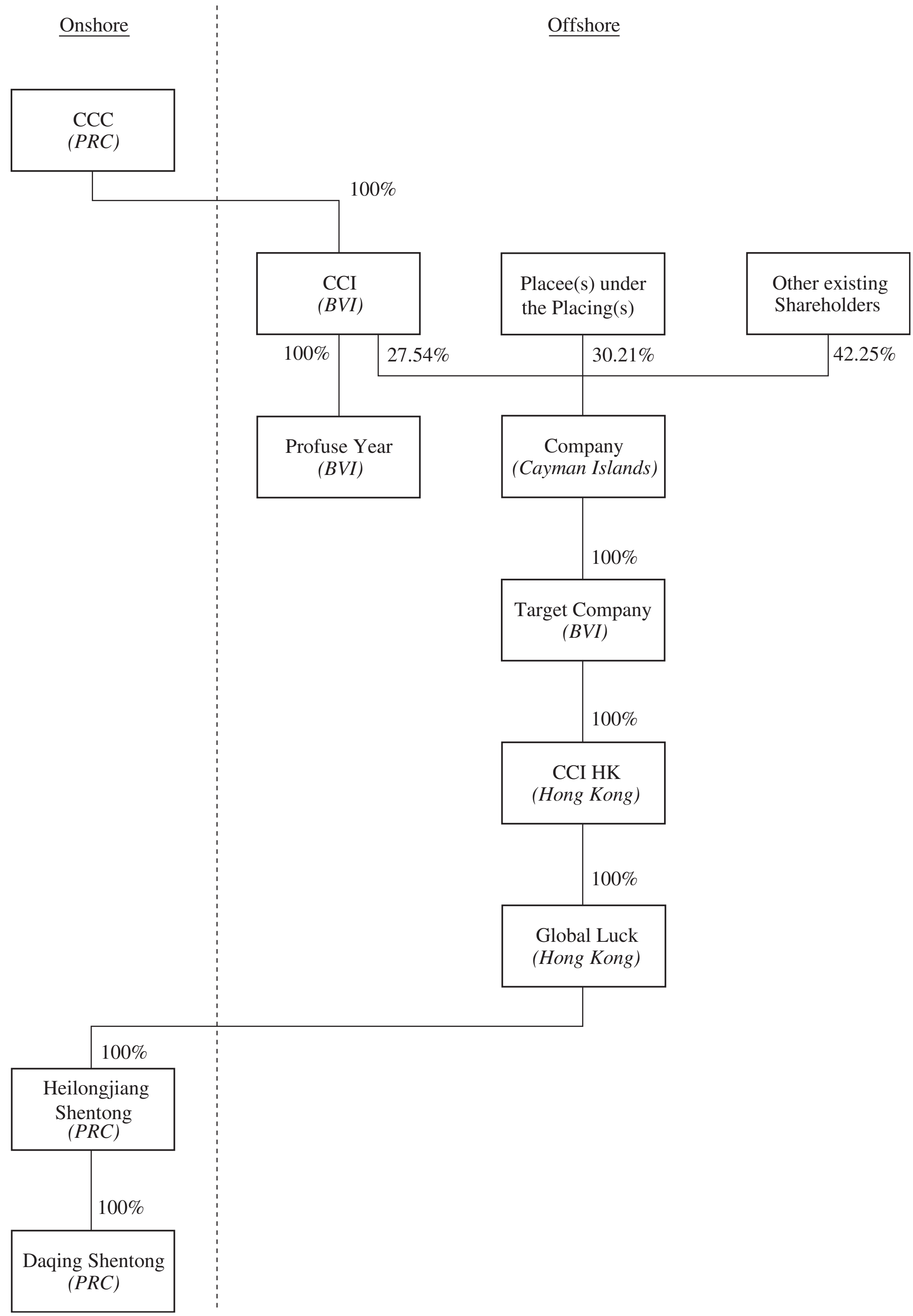
The Acquisition Completion is conditional upon, among other things, the completion of the Placing(s) and the Subscription.

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 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 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 at 21 November 2015 performed by the Valuer of not less than HK$350 million, details of which are set out below in the sub-section headed "Service Agreement between CCI and the Target Company" in this section.

The Directors (including the independent non-executive Directors after taking into account the advice given by the Independent Financial Adviser) consider that the Consideration is fair and reasonable, given the Enlarged Group is obliged to pay the Service Fee of HK$350 million pursuant to the Service Agreement after the Acquisition Completion and that the terms of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole taking into consideration the following factors:

(a) The intention of the Company has been to acquire the business of and operated by the Target Group (i.e. the business 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) (the "Target Business");

(b) the preliminary appraised value of the Target Business is not less than HK$380 million based on the latest draft of the appraisal report prepared by the Valuer in relation to the appraisal of the fair market value of the Target Business as at 30 June 2015, which has been prepared on a discounted cash flow basis under the income approach, subject to change and finalisation (the "Target Business Valuation");

(c) the Company is prepared to incur an overall cost of HK$380 million in acquiring the Target Business (the "Target Business Acquisition Cost") having taken into account, among others, the Target Business Valuation;

(d) the Service Fee pursuant to the Service Agreement to be paid by the Target Company to CCI, which is expected to commence after Acquisition Completion and accordingly be borne by the Enlarged Group, will allow the Service Fee portion of Target Business Acquisition Cost in the amount of HK$350 million to be paid by the Company at a later time to its benefit; and

(e) the acquisition of the Target Business would not be feasible nor possible without acquiring the Target Company and its subsidiaries, in particular, Heilongjiang Shentong and Daqing Shentong, given that 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 and the right to use the CRC Shentong Card payment system pursuant to the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract have been granted to and attached to Heilongjiang Shentong and Daqing Shentong.

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 sub-section headed "Service Agreement between CCI and the Target Company" in this section.

The appraised value of the Exclusive Rights of the Target Group as at 21 November 2015 is RMB295,833,000 (equivalent to approximately HK$359,112,000). 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 valuation report of the Exclusive Rights of the Target Company prepared by the Valuer is set out as Appendix IV to this circular. 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 as Appendix V to this circular.

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 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 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 within five Business Days after the date on which 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 PRC laws provided that in the event the Vendor fails to provide such evidence within the time period required by the applicable PRC laws, the Purchaser shall be entitled to make payment out of and up to the said HK$2,900,000 for such amount of tax payable by the Vendor to the relevant tax authority of the PRC for the sale of the Sale Shares and pays such amount to the PRC tax authority on behalf of the Vendor and to discharge the Purchaser's obligation(s) under the applicable PRC law, the balance remaining, if any, shall be paid by the Purchaser to the Vendor as soon as practicable thereafter. Any payment by the Purchaser to the PRC tax authority on behalf of the Vendor shall be deemed to have been paid by the Purchaser to the Vendor as part of the Consideration payable by the Purchaser.

The Vendor irrevocably and unconditionally undertakes 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. The Vendor shall indemnify and keep indemnified the Purchaser on demand in respect of the Vendor's failure to so comply.

Conditions precedent

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 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 (the "**Deed of Undertaking**");

(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 16 May 2016 (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 circular, the Company has no intention to waive any of the conditions precedent under the Sale and Purchase Agreement, and conditions (a) and (e) have been fulfilled.

Deed of Undertaking

The Deed of Undertaking shall relate to, among others:

(1) the undertaking by each of the Vendor, CCI, CCC and Beijing Shentong that it shall, and shall procure that its close associates and/or companies controlled by it (other than the Enlarged Group) shall:

(a) not directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Target Group in Heilongjiang Province of the PRC; and

(b) not solicit any existing employee for employment by it or its associates (other than the Enlarged Group); and

(2) the first right to be granted by CCC and Beijing Shentong to the Purchaser: (a) for the Purchaser to develop business similar to the Target Group in other places in the PRC where CCC, Beijing Shentong, their respective close associates or companies controlled by them (other than the Enlarged Group) intends to do so; and (b) to acquire at the Purchaser's sole discretion from CCC, Beijing Shentong, their respective close associates or companies controlled by them (other than the Enlarged Group) should it decide to dispose of any of the business or company similar to that of the Target Group in other parts of the PRC.

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 Designated Shentong Card 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 Designated 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 circular. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, 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

Detailed information on the Target Group, as well as the risk factors and the industry and regulatory overviews in relation to the business of the Target Group, are set out in the section headed "Information on the Target Group" of this circular.

Reasons for and Benefits of the Acquisition

The Directors (including all the independent non-executive Directors of the Company, after taking into account the advice given by 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:

(a) The Group has been principally engaged in the business of providing promotion and management services for Designated 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.

(b) 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 Designated 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, Designated Shentong Cards can be purchased from Shentong Yijia or other Designated 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.

(c) 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 (统一通信平台支付); 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.

(d) 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.

(e) 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 circular, 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 (including the independent non-executive Directors after taking into account the advice given by the Independent Financial Adviser) consider that while the Acquisition is not in the ordinary and usual course of business of the Group, 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. None of the Directors have any material interest in the Acquisition and the Sale and Purchase Agreement.

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 circular, 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.

3. 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 Specific Mandates to authorise the Directors to allot and issue the Placing Shares and the Subscription Shares. The proceeds from the Placing(s) and the 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 Group (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general corporate purposes of the Group. The Placing Shares are not underwritten.

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. A wide range of third-party investors are expected to be approached including institutional investors, high-net-worth individuals and/or industry players. 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 circular; 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 Group (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 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 circular; 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(s);

(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(s) and the Subscription to be conducted under the respective Specific Mandates.

GEM Listing Rules implications

As at the date of this circular, 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 Latest Practicable Date.

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

Subject to market conditions and the grant of the Specific Mandates, 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 Group (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.

The Directors have considered pre-emptive issuances such as rights issue or open offer. Since pre-emptive issuances may require a longer implementation timetable, the Directors considered that pre-emptive issuances would not be conducted in a timely manner.

Given the volatility of the global financial markets, the Placing Specific Mandate and the Subscription Specific Mandate have advantages over such pre-emptive fund raising methods in enabling the Company to capture a favourable equity market condition by conducting equity financing in a flexible and timely manner.

The Directors also expect that the Company will enhance the success of the fund raising by presenting to a wider base of institutional and professional investors who would have an understanding and appreciation of the business prospects of the Enlarged Group and that the relevant Placing Agent(s) will be able to introduce investors to the Company for the Placing(s) to be conducted pursuant to the Placing Specific Mandate to cater for the Company's funding needs.

Having regard to the reasons for and the benefits of the Placing(s) and the Subscription, the Directors (including the independent non-executive Directors after taking into account the advice given by the Independent Financial Adviser) consider that the granting of and the terms and conditions of the Specific Mandates 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 Specific Mandates 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$385 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(s)	—	—	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**

4. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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").

Services 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

For the period commencing on 1 January 2013 until 31 March 2018, which upon expiry shall be automatically renewed for successive periods of one year unless terminated by either party by 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.

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 regarding the customer service hotline rental charge of telecommunication companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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; and

(b) based on the recent historical growth rate of 37% for the year ended 31 March 2015, which was understandably higher as the business was ramping up, the conservative growth rates for the years ended 31 March 2016, 2017 and 2018 are expected to be approximately 16%, 10% and 9% respectively.

The Directors 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

CCC shall provide the following services to Heilongjiang Shentong:

(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

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

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.

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 regarding the server hosting charge of telecommunication companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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 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

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.

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 transactions between the supplier and its independent third parties and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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 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

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.

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 transactions between the supplier and its independent third parties and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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 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 the CRC Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

Term

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 CRC Shentong Card integrated payment management system to CCC.

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 Shentong. CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven calendar days after the end of the relevant month and CCC shall pay to Heilongjiang Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

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 regarding the electronic payment service charge of payment service companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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%; and

(c) based on the above historical growth rate of 78% for the year ended 31 March 2015, which was understandably higher as the business was ramping up, and the recent growth of 5% for the three months ended 30 September 2015 as compared to the three months ended 30 June 2015, the conservative growth rates for the years ended 31 March 2016, 2017 and 2018 are expected to be approximately nil, 20% and 31% respectively.

The Directors 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 the CRC Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

Term

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 CRC 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 calendar days after the end of the relevant month and CCC shall pay to Daqing Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

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 regarding the electronic payment service charge of payment service companies, and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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%; and

(c) based on the recent historical growth rate of 78% for the year ended 31 March 2015, which was understandably higher as the business was ramping up, and the recent growth of 131% for the three months ended 30 September 2015 as compared to the three months ended 30 June 2015, the conservative growth rates for the years ended 31 March 2016, 2017 and 2018 are expected to be approximately 22%, 35% and 19% respectively.

The Directors 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

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).

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 transactions between the supplier and its independent third parties and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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 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

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.

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 transactions between the supplier and its independent third parties and are no less favourable than terms between the supplier and its independent third parties.

Historical transaction amounts and annual caps

The 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 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) based on the recent historical expenditure for the years ended 31 March 2014 and 2015 of RMB0.35 million and RMB0.39 million and the recent expenditure of nil from April to September 2015, the estimated annual caps are determined to be relatively lower than the historical expenditures at RMB40,000, RMB55,000 and RMB65,000 for the three years ended 31 March 2018 respectively; and

(b) 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 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

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.

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 the transaction between the supplier and its independent third party and are no less favourable than terms between the supplier and its independent third party.

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 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 are of the view that the basis for determining the annual cap is reasonable.

GEM Listing Rules implications

Upon the Acquisition Completion, 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 Non-Exempt Continuing Connected Transactions, each of such Non-Exempt Continuing Connected Transactions will be subject to the reporting, annual review, announcement, circular and Shareholders' approval requirements.

5. FINANCIAL EFFECTS OF THE ACQUISITION

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities, results and cash flow of the Enlarged Group.

Immediately after Acquisition Completion, the Target Company and the Target Subsidiaries will become wholly-owned subsidiaries of the Company as at the date of Acquisition Completion.

As at 30 September 2015, the Group's unaudited total assets were approximately HK$52,727,000 and unaudited total liabilities were approximately HK$116,058,000. The Group recorded an unaudited loss attributable to owners of the Company of approximately HK$8,425,000 for the six months ended 30 September 2015.

As set out in the "Unaudited Pro Forma Financial Information of the Enlarged Group" as contained in Appendix III to this circular, the Enlarged Group's (i) unaudited pro forma profit/(loss) attributable to owners of the Company for the year ended 31 March 2015 would be changed from loss of HK$9,871,000 to profit of HK$7,363,000, assuming the Acquisition, Subscription and Placing were completed on 1 April 2014; (ii) unaudited pro forma total assets would be increased from HK$52,727,000 to HK$959,796,000; (iii) unaudited pro forma total liabilities would be increased from HK$116,058,000 to HK$637,920,000; and (iv) would have unaudited pro forma net assets of approximately HK$321,876,000, assuming the Acquisition, Subscription and Placing were completed on 30 September 2015.

6. 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.

A notice convening the EGM to be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 16 February 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-6 of this circular.

In accordance with the GEM Listing Rules, any Shareholder who has a material interest in the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate or the Non-Exempt Continuing Connected Transactions shall abstain from voting on the resolution(s) to approve the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate Specific Mandates or the Non-Exempt Continuing Connected Transactions and the respective transactions contemplated thereunder at the EGM. The Subscriber, CCI, and its associates are entitled to exercise control over the voting rights in the 356,542,000 shares held by CCI, representing 27.54% of the total number of Shares in issue as at the Latest Practicable Date. CCI and its respective associates will abstain from voting on the relevant resolution(s) at the EGM accordingly. Save for the Subscriber and its associates, 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, the Placing Specific Mandate, the Subscription Specific Mandate or the Non-Exempt Continuing Connected Transactions and will be required to abstain from voting on the resolution(s) to approve the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate or the Non-Exempt Continuing Connected Transactions and the respective transactions contemplated thereunder at the EGM.

In order to ascertain the entitlements to attend the EGM, the register of members of the Company will be closed from Friday, 12 February 2016 to Tuesday, 16 February 2016 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 11 February 2016.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

7. PROXY ARRANGEMENT

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed (or a copy which has duly been certified) to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

8. RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. The Independent Financial Adviser, Nuada Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 138 to 139 of this circular. The text of the letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 140 to 185 of this circular.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that (i) the Acquisition, the Placing Specific Mandate and the Subscription Specific Mandate, while are not in the ordinary and usual course of business of the Group, are in the interest of the Company and the Shareholders as a whole and are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and that (ii) the Non-Exempt Continuing Connected Transactions are entered into by the Company in its ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole, and are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions as set out in the notice of EGM enclosed to this circular.

As Acquisition Completion is conditional upon, among other things, the completion of the Placing(s) and the Subscription, which are subject to the grant of the respective Specific Mandates by the Independent Shareholders, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

9. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
China Communication Telecom Services Company Limited
He Chenguang
Chairman

RISK FACTORS

You should carefully consider all of the information in the circular including the risk factors described below. The business, financial condition or results of operations of the Enlarged Group could be materially adversely affected by any of these risk factors. In addition to the risk factors described below, other risks and uncertainties not presently known to the Enlarged Group, or not expressed or implied below, or that the Enlarged Group currently deems immaterial, may also adversely affect the business, operating results and financial condition of the Enlarged Group in a material respect.

The Enlarged Group considers that there are certain risks involved in its business and operations and in connection with the Acquisition. Such risks can be categorised into: (i) risks relating to the business of the Target Group, (ii) risk relating to the Acquisition, (iii) risks relating to the industry of the Target Group's business, (iv) risks relating to the PRC, and (v) risks relating to this circular.

Risks relating to the business of the Target Group

Target Group's right to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province may be terminated

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

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

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

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

There is no assurance that the CRC Organisation Contract will not be terminated. If the CRC Organisation Contract is terminated for whatever reasons, the Heilongjiang CRC Authorisation will be automatically terminated. If the CRC Organisation Contract is terminated for whatever reasons, the Target Group is not able to or relocate to an alternative area to continue its operations under the CRC brand which is comparable to its existing operations, the Target Group's business, financial condition and operating results would be materially and advisedly affected.

The Target Group may face competition from other CRC competition events and training courses organisers in Heilongjiang Province

Currently, the Target Group is the only authorised entity to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province, and the sole and exclusive user of CRC Shentong Cards payment platform in Heilongjiang Province as granted by Beijing Shentong. Pursuant to the guidance of the Social Sports Direction Centre of the General Administration of Sport, all management and payment of CRC education and training courses and CRC competitions should be conducted through CRC Shentong Card system.

However, the rights that Beijing Shentong obtained from the Social Sports Direction Centre of the General Administration of Sport to provide CRC education and training courses under the CRC Organisation Contract were granted on a non-exclusive basis.

Beijing Shentong and the Target Group have no control over Social Sports Direction Centre of the General Administration of Sport's decisions and strategies as to its grant of rights to provide CRC education and training courses to other third parties.

If the Social Sports Direction Centre of the General Administration of Sport grants the rights to provide CRC education and training courses in Heilongjiang Province to other third parties, and if the Social Sports Direction Centre of the General Administration of Sport cancel the use of CRC Shentong Card system as the mode of payment for CRC education and training courses and CRC competitions, the Target Group may face competition from other CRC competition events and training courses organisers in Heilongjiang Province and thus its ability to grow its business may be materially and adversely affected.

CRC Training Course Providers may not renew their contracts with the Target Group

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. The Target Group derives a significant portion of its revenue from such CRC training courses. For the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, revenue generated from the CRC training courses amounted to HK$34,207,136, HK$65,845,040 and HK$12,674,989 respectively, representing approximately 78.19%, 82.41% and 93.37%, respectively, of the Target Group's total revenue.

The Target Group entered into Quality Sports Training Centre Cooperation Contract (素質體育培訓基地合作合同) with each of the CRC Training Course Providers for a period of two years, which sets out the terms of the co-operation and split of fees between the Target Group and the CRC Training Course Providers. The Target Group expands its network of CRC Training Course Providers by encouraging more schools and training organisations in Heilongjiang Province to be registered as official CRC training centres via promotion, site visits and demonstrations.

There is no assurance that any of the CRC Training Course Providers will renew the Quality Sports Training Centre Cooperation Contract with the Target Group on commercially acceptance terms or at all upon the expiry of the Quality Sports Training Centre Cooperation Contract. If a substantial number of the CRC Training Course Providers decide not to continue cooperation with the Target Group, the Target Group may not be able to find replacement schools or training organisations that have experienced trainers in training and education of theory, design and competition skills regarding different kinds of robots which may adversely affect the business, revenue and profitability of the Target Group.

The Target Group may not be able to successfully execute its expansion plan

The Target Group's expansion plan includes expansion of its network of CRC Training Course Providers in Heilongjiang Province and its business coverage to other provinces, which should be able to enhance the development of the CRC-related activities. The Target Group may not succeed in executing its expansion plan as it may not be able to carry out the following:

(a) identify suitable CRC Training Course Providers that are willing to comply with rules and regulations as set out by the CRC Working Committee;

(b) maintain an effective and cost effective operation (including adequate management and financial resources);

(c) retain CRC instructors and CRC competition qualified professionals;

(d) attract students to participate in CRC training courses and increase course enrolment; and

(e) identify suitable acquisition targets of CRC related business in other provinces.

CRC students may become less interested or lose interest in the CRC-related activities

The Target Group's growth depends on its ability to attract student to enrol in CRC-related activities. The Target Group organises various CRC certified and recognised competitions of different scales independently in Heilongjiang Province or co-organises such competitions in Heilongjiang Province, and encourages schools and training organisations in

Heilongjiang Province to be registered as official CRC training centres via promotion, site visits and demonstrations. There is no assurance that the CRC students will not change their interest in robotics competition. Any changes in consumers' preferences or technological trend on robots and the Target Group's failure to timely respond to such changes may lead to a reduction in demand for CRC training courses and participation in CRC competitions, which will adversely affect the Target Group's business and its results of operation.

The Target Group may face system interruptions in its software, hardware and technological infrastructure

The Target Group relies, to a large extent, on the payment system and data management of CRC Shentong Cards and the server hosting services provided by CCC for operation and management of the Target Group's business.

During the years ended 31 March 2014 and 2015 and up to the Latest Practicable Date, the Target Group has not experienced any major information system failure relating to CRC Shentong Cards and the server hosting services provided by CCC that materially adversely affected its business.

However, there is no assurance that any damage of interruption caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters and other similar events relating to the information system of CRC Shentong Cards and the server hosting services provided by CCC will not happen in the future. Additionally, restoring any damaged information system relating to CRC Shentong Cards may cause the Target Group to incur significant expenditure and require additional workforce. If any serious damage or significant interruption occurs the Target Group's operation may be disrupted, and the access of CRC training courses by the CRC students may be limited, which could damage the Target Group's ability to generate revenues and adversely impact on the Target Group's reputation.

Unauthorised disclosure of stored personal information of the Target Group's customers could damage the business and operations of the Target Group

Through its operation, the Target Group collects and stores, including by electronic means, certain personal information that the CRC students and CRC Training Course Providers provide to register for the CRC training courses, make payment for the CRC training course fees or otherwise communicate with the Target Group. All data related to CRC students' names, history of attendance of courses, examination results, and competition results are also kept in the CRC Shentong Card database. Data maintained in electronic form is subject to the risk of intrusion, tampering or theft. The Target Group believes that there is sufficient security around the information system relating to CRC Shentong Cards and adequate encryption of CRC Shentong Card database to prevent unauthorized access to the information system and unauthorized use of CRC Shentong Card database.

However, there is no assurance that there will be no information breach in the information system relating to CRC Shentong Card, and the information system and CRC Shentong Card database may be compromised by a malicious penetration of its network security. As a result, the personal information of the Target Group's customers may be lost, disclosed, accessed or taken without their consent, which could result in the customers losing confidence in the Target Group and thus the loss of their businesses. The loss of confidential information could also subject the Target Group to litigation risk and damage of its reputation, which could have a material adverse effect on the Target Group's business and results of operations.

Severe weather conditions may impact on CRC competitions

The occurrence of severe adverse weather conditions in Heilongjiang Province in which the CRC competitions take place may affect attendance of CRC competitions. Weather conditions may also require the Target Group to cancel or postpone CRC competitions, resulting in the refund of all competition admission fees to participants, and/or incurring additional costs and workforce for re-arranging the CRC competitions. Any of these events may have a material negative effect on the Target Group's business and its results of operation.

Risks relating to the Acquisition

Substantial dilution of existing public Shareholder's interest in the Company as a result of the Acquisition

Subject to market conditions and the grant of the Specific Mandates, and assuming the maximum number of Placing Shares and Subscription Shares (i.e. a total of 925,747,348 new Shares) will be allotted and issued pursuant to the Placing Specific Mandate and Subscription Specific Mandate, respectively, the new Shares shall represent (i) about 71.50% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) about 41.69% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares. The existing public Shareholder's interest would be diluted substantially from approximately 72.46% of the issued share capital of the Company as at the Latest Practicable Date to 42.25% of the enlarged issued share capital of the Company immediately upon the allotment and issuance of the maximum number of the Placing Shares and the Subscription Shares. Any increase in the value of the Shares as a result of the Acquisition from a business or financial perspective may not necessarily be reflected in the market price of the Shares and may not suffice to offset the dilution effect suffered by the existing public Shareholders caused by the issuance of the new Shares.

Risks relating to the industry of the Target Group's business

Any future changes in laws or regulations or enforcement policies could materially and adversely affect the Target Group's business, operating results and financial condition

The Target Group is subject to, among the others, the laws and regulations on sports and advertising. Any change in existing laws and regulations or their interpretation that may affect the Target Group's business or operations could require the Target Group to incur additional compliance costs or costly and time-consuming changes to the Target Group's operations, either of which could materially and adversely affect the Target Group's business, operating results and financial condition. For details of such laws and regulations, please refer to the sub-section headed "Laws and Regulations Relating to the Business of the Target Group" of this section.

It is unable to predict future changes in laws and regulations or enforcement policies that may affect the Target Group's business or operations or to estimate the ultimate cost of compliance with such laws and regulations. The regulatory environment in which the Target Group's operates is subject to frequent changes. The Target Group may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement to existing laws and regulations.

Risks relating to the PRC

Political, economic and social environment

The PRC is in the process of transforming its economy from a planned economy into a more market-oriented economy. Although the Directors believe these reforms will have a positive effect on the PRC's overall long term development, it is uncertain as to whether the PRC government will make further changes to its laws or regulations, introduce additional tax measures, impose restrictions on currency exchange and remittance, and change tax rates or customs duties in the future. In case of occurrence of such changes, the business operation of the Target Group may be adversely affected.

Uncertainty in interpretation of PRC law and regulation

Since all of the businesses of the Target Group are located in the PRC, the Target Group is subject to PRC laws and regulations. The PRC legal system is a civil law system which is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view of developing a comprehensive system of commercial law, and because of the limited volume of published cases and the non-blinding nature of prior court decision, interpretation of PRC laws and regulations involves a degree of uncertainty. Subject to the application or case presented to such government agency and on the government agency itself, the Target Group may receive less favorable interpretations of laws and regulations than competitors. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of resources and management attention.

Risks relating to this circular

The information, forecasts and other statistics obtained from official government sources contained in this circular may not be accurate

Certain facts, information, statistics and data relating to the Chinese economy and the industry in which the Target Group operates that are presented in the sub-section headed "Industry Overview" in this section of the circular are derived from publicly available government official sources (including various publications issued by PRC government entities). The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Directors or any other party involved in the Acquisition and no representation is given as to its accuracy.

This circular contains forward-looking statements

This circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

(a) the business strategies and plans to execute these strategies;

(b) the operations and business prospects, including development plans for the existing and new businesses;

(c) the financial condition;

(d) availability of bank loans and other forms of financing;

(e) the future developments trends, conditions and competitive environment in the industry;

(f) the regulatory environment for the industry in general; and

(g) the general economic trend of the PRC and general economic conditions.

The words "anticipate", "believe", "consider", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "project", "seek", "will", "would", and similar expressions and the negative of these words, as they relate to the Company or the Target Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of the Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the sub-section headed "Risk Factors" in this section, many of which are beyond the Company's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations by the Company or the Directors that its plans or objectives will be achieved.

If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, the financial condition of the Company or the Target Group may be materially and adversely affected and actual outcomes may differ materially from those described in this circular as anticipated, believed or expected.

Subject to the requirements of the GEM Listing Rules, the Company do not intend to publicly update or otherwise revise the forward-looking statements in this circular, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this circular might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this circular are qualified by reference to this cautionary statement.

INDUSTRY OVERVIEW

The CIC Report

The Company has commissioned China Insights Consultancy Limited, an independent third party, to prepare an industry report as to the smart card and robotics education markets in China and the city in which the Target Group currently operates. The Company will pay a total fee of HK$250,000 for the report.

China Insights Consultancy Limited has prepared the report based on its market research, discussions with professionals in the smart card and robotics education industry, information provided by the relevant government departments and its industry knowledge.

Overview of the industry

This section contains information and statistics in relation to the industry in the PRC in which the Target Group operates that are derived from the CIC Report the Company commissioned from China Insights Consultancy Limited. The Company believes that the sources of such information are appropriate and the Company has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by the Company, the Financial Adviser or any of their respective directors, officers, representatives or any other persons involved in the Acquisition, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon. Such information and statistics may not be consistent with other information and statistics compiled within or outside the PRC.

SOURCE OF INFORMATION

The Company commissioned China Insights Consultancy Limited, the Independent Industry Consultant, to conduct an analysis of, and to report on, the smart card market and robotics education market in the PRC. The Independent Industry Consultant is a consulting company established in Hong Kong. Its services include industry consulting, strategy consulting and commercial due diligence. The Independent Industry Consultant's consulting team conducts research and tracks the latest market trends in a broad range of industries such as information technology, consumer goods, energy, chemicals, healthcare, transportation, agriculture, and financial services, and is able to provide the most up-to-date and insightful market intelligence in these industries.

Investors should note that the Independent Industry Consultant was engaged to prepare an industry report on the smart card market and robotics education market in the PRC for use in this document.

Certain information and data presented in this section were provided by the Independent Industry Consultant, which has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, the Independent Industry Consultant has advised that:

- all the information about the Target Group is sourced from the Company's audited financial reports or management interviews; while the Independent Industry Consultant has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures;

- all statistics are reliable and are based on information available as of the date of the CIC Report. Other sources of information, including government, industry associations or market participants, may have provided some of the information on which the analysis or data is based; and

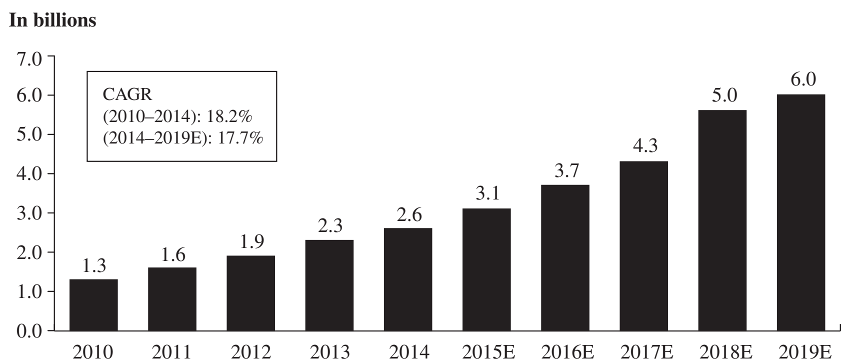
- this section also contains forward-looking statements which are based on assumptions and current expected market dynamics. The actual figures may vary as the market dynamics are ever changing. The Independent Industry Consultant cannot be held liable for the realisation of its forecasts.

The Company is expected to pay an aggregate amount of HK$250,000 to the Independent Industry Consultant for the preparation and updating of this report. The Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information set forth in this section.

OVERVIEW OF THE SMART CARD INDUSTRY

A smart card, also known as an integrated circuit card (IC card), chip card or microcircuit card, is any pocket-sized plastic card with an attached or embedded integrated circuit chip. The smart card industry in the PRC forms a large part of the world's smart card industry, accounting for approximately 35.0% of the number of smart cards in issue globally in 2014. The number of smart cards in issue increased from 1.3 billion in 2010 to 2.6 billion in 2014 in the PRC, at a CAGR of 18.2% and, According to the CIC Report, is expected to grow to 6.0 billion by 2019, representing a CAGR of 17.7% from 2014 to 2019.

Number of Smart Cards in Issue in the PRC (2010–2019E)



Source: CIC Report

In the PRC, smart cards are primarily used in the telecommunication, finance, health care, education and other sectors. At the end of 2014, telecommunication, finance and health care represented the three major sectors in which smart cards are used in the PRC, with a market share of 43.0%, 24.0% and 7.0%, respectively, in terms of number of cards in issue. In addition, educational smart cards have experienced a strong growth momentum in the PRC, with the wide service coverage of the campus e-Cards (校園一卡通) in colleges and universities. At the end of 2014, the number of campus smart cards in issue exceeded 20 million in the PRC, accounting for approximately 0.9% of the total number of smart cards in issue in the PRC.

Applications of Smart Cards in the Education Sector in the PRC

The most commonly used smart card in the education sector is the debit card, which schools, teachers and students use to access their bank accounts. Such cards are used by schools primarily for procurement of supplies, logistics management, deducting tuition fees and payment of salaries and allowances. In addition to debit cards, an increasing number of schools and shops on campus choose to cooperate with third party payment service providers. Third party payment platforms generally install multipurpose payment terminals at schools which not only enable students to pay for their daily expenses using smart cards, but also offer services such as payment of utility fees and topping up prepaid mobile phones which are not available from traditional POS terminals. In addition, students can transfer the balance of their bank accounts to third party payment accounts and use the services provided by these third party payment platforms. Meanwhile, major telecommunication operators in China are actively promoting the combination of NFC payment and a SIM card whilst developing corresponding POS terminals for use on school campuses.

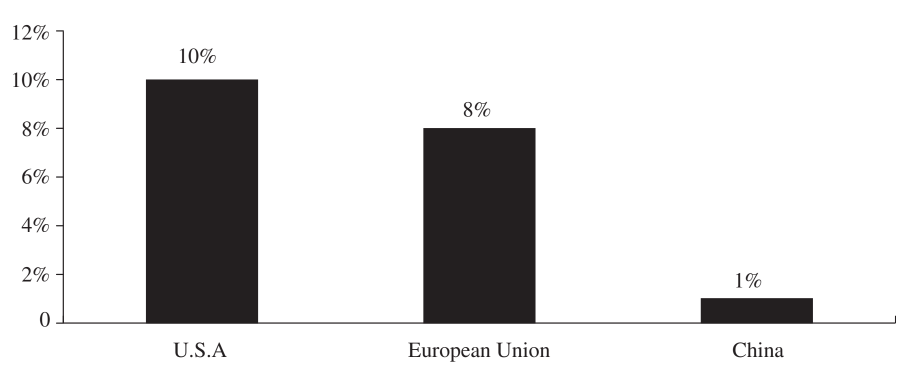
In addition, integrated compatible smart cards have gradually entered the market. The campus e-Card (校園一卡通) is considered to be a type of widely used integrated smart card with extensive applications. In addition to the basic functions of a bank card, a campus e-Card has functions in relation to door access control, dining and library book borrowing and returning, as well as other functions which greatly enhance the administration efficiency at schools. Chip manufacturers have also started to develop their integrated application smart cards. One of the well-known integrated smart cards is the Shentong Card (神通卡) launched by China Communication Telecom Services Company Limited. The Shentong Card (神通卡) has the functions of a data card, a phone card and a bank card. It can be used for daily telecommunication as well as online payments and course management at training institutions as it has a broad scope of application without any specific limitations. As intelligent integrated management systems continue to develop, integrated smart cards have market potential in the future.

OVERVIEW OF ROBOTICS EDUCATION MARKET

Robotics education generally refers to the learning of basic knowledge and skills of robots to improve students' skills in the design, development and use of robots and their creativity. The robotics education market primarily comprises of robotics teaching (including incorporating robotics education in classes), robotics training (learning about robots through special interest groups and training workshops) and robotics competitions (contests where robots are used or competed against). Nowadays, robotics training courses are not only popular with teenagers, the number of specialists and working professionals taking such courses is increasing.

Robotics education and training began in developed countries such as the U.S.A and the United Kingdom as early on as the 1960s and 1970s when studies on robotics education were conducted in universities. In the 1980s, basic robotics knowledge courses were held at elementary schools. In contrast, the development of robotics education is still in early stages in the PRC, thus is less common in comparison to developed countries in Europe and North America. In 2014, the penetration rate of robotics education in U.S.A and European Union were around 10% and 8%, respectively, while the penetration rate in China was only about 1%.

Penetration Rate of Robotics Education in Major Countries/Regions (2014)

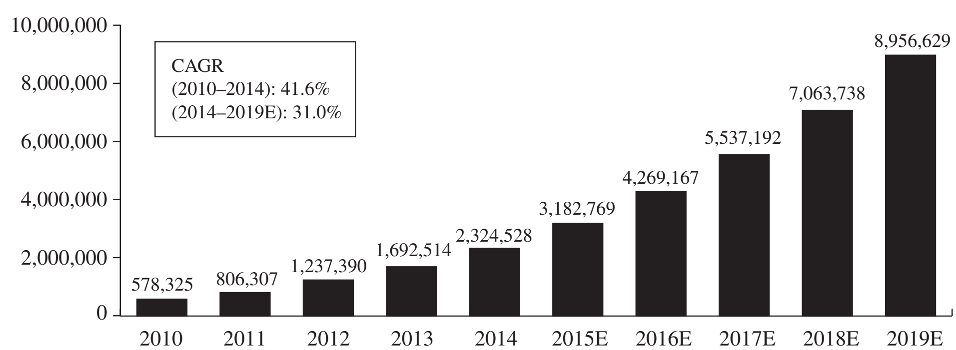


Source: CIC Report

With a rising per capita disposable income in the PRC, Chinese people are spending more on culture, education and entertainment. Parents in high-income households have increasing expectations on the education and comprehensive capability of their children, which has greatly driven the educational investments of these households with some reaching RMB tens or even hundreds of thousands. According to the CIC Report, the main source of revenue in the PRC robotics education industry is training fees and teenagers in the PRC spend approximately RMB2,000 to RMB5,000 each year on robotics training fees on average.

In recent years, the spending on robotics education and training has also been increasing year on year. In 2014, spending in the robotics education and training market reached RMB3 billion in the PRC, representing an increase of over 300% from RMB0.7 billion in 2010. According to the CIC Report, as robotics education and training receives increasing support from the government and various industry sectors, the robotics education and training market is expected to grow to an estimated RMB13.2 billion in 2019, at a CAGR of 34.5% from 2014 to 2019. According to the CIC Report, the number of participants in robotics education in the PRC grew from 578,325 in 2010 to 2,324,528 in 2014, at a CAGR of 41.6%, and is expected to grow to 8,956,629 in 2019, at a CAGR of 31.0% from 2014 to 2019.

Number of Participants in the Robotics Education Market in the PRC (2010–2019E)



Source: CIC Report

Market Drivers

Demand for creativity education driven by the construction of an "innovative country"

According to the Outline of the National Plan for Medium and Long-term Science and Technology Development (2006–2020) (《國家中長期科學和技術發展規劃綱要(2006–2020年)》), the general objective in science and technology development in the PRC by 2020 is to have increased capability in independent innovation, further development in science and technology to facilitate economic and social development and protection of national security and improvements in basic science and cutting-edge technology research to become an "innovative country". The "Spoon-feed Education" mode prevailing in the PRC is not appropriate to cultivate the serviceable and innovative talents as needed for the construction of an "innovative country". As an innovative education platform, robotics education is expected to keep growing in the future in light of the demand for creativity education.

Strong support from the PRC government in the development of the robotics industry

In order to accelerate a healthy development of China's robotics industry, governmental departments have been increasing their support for the robotics industry in the PRC. The Guidance Opinion on Promoting the Development of Industrial Robot Sector (《關於推進工業機器人產業發展的指導意見》) issued by the Ministry of Industry and Information Technology of the PRC sets forth that, by 2020, a close to perfect industrial system shall be established for industrial robots, with the technological innovative ability and a notable increase in the international competitiveness of the robotics industry and corporations. The Made in China 2025 (《中國製造2025》) issued by the State Council set out two directions for the development of the robotics industry of China within the next decade, namely (1) to develop industrial robots and its key components and to promote the industrialisation and usage of industrial robots, so as to satisfy the immediate needs of the Chinese manufacturing sector for improvements and upgrades; and (2) to make key technological breakthroughs to develop a batch of intelligent robots in active response to the challenges arising from the new-round of scientific revolution and industrial changes. The strong support from the PRC government to the robotics industry is expected to drive the continuous growth of the robotics education market.

Sustained growth of people's spending on culture, education and entertainment

With a rising disposable income per capita in the PRC, spending on culture, education and entertainment has been growing in recent years. Whilst spending amounts have increased, the proportion of such spending in relation to the total household income has also increased. According to a survey conducted by the China Youth and Children Research Centre, a household's spending on education has grown faster than the household's income since the 1990s. The increase in income and the consumption upgrade is expected to contribute to the market demand for robotics education. As such, the robotics education market is expected to have a growth potential in the future.

Popularisation and promotion of robotics teaching

The Criterions of Technical Courses (Trial) for Senior High Schools (《普通高中技術課程(實驗)標準》) published by the Ministry of Education of China in April 2003 has set out a model for "fabrication of simple robots" in the curriculum of "general technologies" for the first time. Meanwhile, the new senior high school curriculum has also set out an optional course model of "preliminary artificial intelligence" in the subject of "information technologies", marking an important step in popularising robotics education. In 2011, the Information Technology Education Committee of China Association for Educational Technology (中國教育技術協會信息技術教育專業委員會) launched the project of "robots entering the classroom", which helped to promote robotics education in classrooms. Currently, numerous schools in various provinces and cities, such as Heilongjiang, Jiangsu, Beijing and Shanghai in the PRC have begun teaching robotics and it is expected that robotics teaching will be included in the educational curriculum in the future.

Emerging of CRC

Since CRC was officially included in the national sports project in 2011, CRC has developed rapidly with tens of thousands of robotics competitions of various levels and different scales with unified training and competition standard having been conducted nationwide. CRC is not only a group fitness exercise but also an important form of demonstrating quality education. It is also a contest based on advanced technologies, providing a platform for young adults to fully showcase their abilities and intellect. With the rising popularity of CRC, more and more students have indicated their interest in robotics sports. Moreover, the number of professionals who are interested in becoming CRC teachers or staff members and the number of CRC athletes and CRC teams have also been growing. Given the popularity of CRC and related competitions, the PRC robotics sports market looks promising.

Sponsors and subsidies to robotics

The Chinese People's Association for Friendship with Foreign Countries provides subsidies of more than RMB100 million annually to applicants of the Chinese International Youth Robot Exchange Program which covers all expenses including return travel, accommodation and meals. All exchange participants must be qualified athletes, coaches, referees, recorders, scorekeepers, timekeepers, clerks or arbitrators certified by the CRC Working Committee or teachers who hold a professional robotics teaching qualification conferred by the National School Sports Robot League (the "NSSRL") Working Committee. These subsidies encourage an increasing number of teenagers to get involved with and learn about robots and pass the relevant CRC exams so that they may have the opportunity to travel internationally for free and take part in robotics-related activities.

Common applications of robots in various fields

In 2014, the CRC Working Committee, Traffic Management Bureau of the Public Security Ministry and Office of Police Aviation of Public Security Ministry jointly and successfully organised the first military drone field test, being the first in China's history of technological development and a major milestone for the use of military drones in China. The first military drone training course was held on 7 July 2015 in Heilongjiang. According to the CIC Report, the launch of the training course is an important step in the modernization of case handling in law enforcement and a commendable attempt in making progress in police technology. CRC Working Committee, the Heilongjiang Competition Committee and the Bin County Public Security Bureau have provided a technology platform to improve law enforcement, increase police efficiency and support advancements in law enforcement technology. In the long run, the fields in which robots can be applied are expected to grow and the need for both students to learn using robots in new fields and teachers to train these students is expected to increase.

Barriers to Entry

Hosting right and professional training qualification of robotics competitions

In the PRC, the promotion of robotics education is mainly targeted at schools, and to a lesser extent, at individual students. The robotics competitions not only test the practical ability and problem-solving ability of students, but can also help build a school's reputation, which has drawn the attention of schools. According to the CIC Report, institutions which have obtained hosting rights and professional training qualifications for competitions have an advantage over new participants, and are therefore able to attract more teachers and students to participate given that these agencies are more familiar with the contest rules and are experienced in the development of robotics education, and can provide a better service.

For example, CRC is a robotics competition approved by the Social Sports Direction Centre of the General Administration of Sport. Beijing Shentong has obtained the exclusive rights to organise CRC competitions in the PRC. Since CRC competitions were officially included in the national sports project in 2011, more than 10,000 CRC competitions of various levels and scales have been held. Those who wish to take part in CRC competitions, including players, coaches, referees and scorekeepers, are required to attend CRC qualification training courses and obtain CRC certified qualifications. CIC therefore believes that organisations with hosting rights and professional training qualifications for competitions have a competitive edge.

Faculty resource

Currently, the teaching staff for robotics education in China is heavily lacking because there are few readily available teachers to teach robotics in the market and teachers can only become qualified to teach after having received professional training for a period of time. According to the CIC Report, even though one can become a qualified robotics teacher after only one week of intensive basic training, it takes at least six months to train a teacher to reach a certain level and ensure that he has fully grasped the entire curriculum and is able to provide individualised instructions. Nowadays, the opening of a new robotics training centre in the PRC will require at least four to six classrooms and four to seven teachers. Therefore, for new participants in robotics education, it is difficult to recruit readily available teachers for robotics education if they do not possess the resources for training. Furthermore, those institutions which are already well established in the robotics education industry have significant competitive advantages. As such, the lack of teachers constitutes a barrier of entry to the robotics education industry.

Capacity of developing curriculum systems

In order to attract a sufficient number of students and other robotics enthusiasts, robotics education agencies are required to have an experienced teaching and research team in the field of robotics research or competitions, to systematically develop their own curriculum and to continually innovate in line with the market development. Therefore, only persons who have extensive experience in the robotics profession and competitions, such as those who have been exposed to robots during their college education or even in senior high school and have won contests, are considered competent. The ability to develop a curriculum is a deciding factor as to whether an institution can remain in the industry and is also one of the barriers to entry.

Financial strength

Robotics education training institutions need substantial upfront investments, such as venues, teaching equipment, academic curriculum and faculty training. Furthermore, as the demand for robotics education is not rigid, these institutions are expected to survive a prolonged period of market cultivation and invest a lot in marketing before they can succeed. According to the CIC report, currently, venue rent accounts for approximately 50% of the total operation cost of a robotics training institution in PRC, with staff salary and marketing expense accounting for around 30% and between 10% and 20%, respectively. It requires at least RMB2.0 million to set up a new robotics training centre of a certain standard in a first tier city in the PRC. If new entrants are not financially strong, they may face difficulties due to the lack of funds. Therefore, financial strength is another barrier to entry in the robotics education industry.

Development Trends of the Industry

Quality robotics sports is expected to enjoy widespread popularity

The development of robotics sports is in substance a kind of quality education, which can reflect the educational level, the technological level or the comprehensive capacity of a country. With the support from the General Administration of Sport of China, the Ministry of Education, the Ministry of Public Security, the Chinese People's Association for Friendship with Foreign Countries and other government authorities and associations on robotics sports, the development of the robotics sports is expected to continue. Furthermore, the CRC has launched several robotics sports programs based on body controls, such as robotics polo which uses robotics balancing vehicles, basketball, tennis, dancing, and obstacle races, which has provided a line of robotics products for robotics sports, and thereby providing a new experience for robots fans. These kinds of robotics sports programs are innovative and fashionable, which are expected to have a large market potential.

Robotics education projects will continue to see innovation and diversification

As the PRC robotics education market matures in the future, it is expected that robotics education programs will continue to innovate to satisfy the individualised demands of more market segments. For example, for robot fans keen on robot research and development, the educational robot products are expected to have expandability, more flexibility in design and will be more user-friendly. For robotics sports, more individualised and fashionable sports are expected to be developed to attract more interest in participation. In recent years, it has become fashionable to incorporate Chinese elements in robotics sports, such as the robotics polo with balancing vehicles.

Development toward classroom-based education

Currently, the robotics education market in the PRC is mainly driven by competitions, and is developing in the forms of special interest groups or training workshops. In 2011, the Information Technology Education Committee of China Association for Educational Technology (中國教育技術協會信息技術教育專業委員會) launched the project of "robots entering the classroom". In addition, robotics-related contents have appeared in many of the teaching materials at the compulsory education stage in a number of provinces in the PRC. Robotics courses are expected to become more common in basic education curriculum and encourage students to become more innovative and creative through classroom-based education.

Development toward community-based education

According to the CIC Report, the combination of wide-ranging robot models, investment continuity and suitability for teamwork contributes to the organisation of robotics education in communities. Since robotics sports was listed as one of the community sports in 2011, the CRC Working Committee and the local competition committees in various regions have spent a great deal of effort in promoting and publicising robotics sports by managing the organisation of robotics sports, providing education and training, certification of qualifications and hosting of competitions for robotics sports in various regions, and providing platforms for robotics education, robotics competitions and cultivating professional talents. In the future, as more people participate and robotics sports become more popular, there is expected to be a boom in the development of community-based robotics education.

The target audience of robotics education will be more diversified

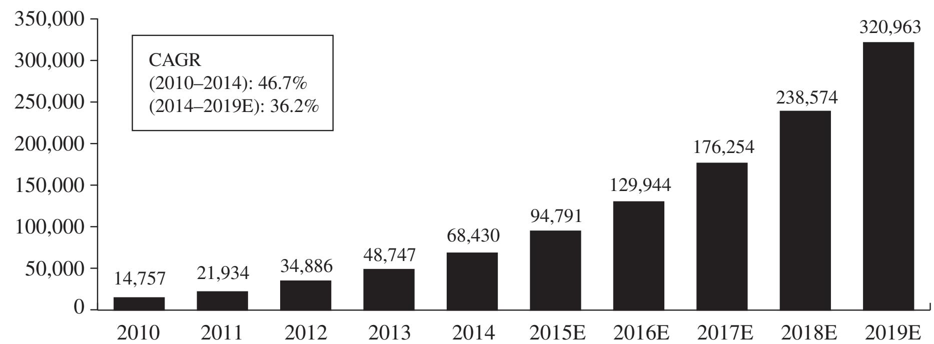
According to the CIC Report, while the current target audience of robotics education is mainly teenagers, robotics education is expected to target a more diversified audience in the future along with the further development of robotics sports, including training for professionals in robotics education, training for people who work with the assistance of robots and other robotics training for adults. These may include, for example, a training workshop for drones which received strong support from the Ministry of Public Security of the PRC and training on professional qualifications for CRC (including professional qualifications for players, instructors, coaches and referees). As such, the target audience of robotics education is expected to become more diversified in the future.

Overview of the Robotics Education Market in Heilongjiang

According to the CIC Report, the development of robotics education in Heilongjiang Province outperforms the national average level. The development of the robotics education market is fairly balanced in Heilongjiang Province, as participants include students, coaches, police force and retired athletes. The robotics education market in Heilongjiang Province is expected to enjoy a robust development in the near future.

In Heilongjiang Province, the number of participants in the robotics education market grew from 14,757 in 2010 to 68,430 in 2014, representing a CAGR of 46.7% from 2010 to 2014. The number of participants in the robotics education market in Heilongjiang Province is expected to continue to grow to 320,963 in 2019, representing a CAGR of 36.2% from 2014 to 2019.

Number of Participants in the Robotics Education Market in Heilongjiang Province (2010 to 2019E)



Source: CIC Report

Market Drivers

Close cooperation between institutions in the robotics education industry

Founded in July 2013, Heilongjiang Robot Sports Association is the first industry-specific association focused on robotics sports and other robotics-related fields in Heilongjiang Province. Heilongjiang Robot Sports Association has received vigorous support from the provincial Sports Bureau, the Department of Education, and the provincial Association of Science and Technology. Following the approval from the CRC Working Committee, the Heilongjiang Competition Committee under China Robot Sports Working Committee confirmed 2015 as "the Year of Heilongjiang Robotics Sports". This project will train and screen athletes for the National Robotics and Technology Games to be held in 2016, as well as providing a talent pool for the robotics sports and robotics-related fields in Heilongjiang Province. With the support of Heilongjiang Competition Committee under CRC Working Committee and Heilongjiang Robot Sports Association, it is believed that a solid foundation has been laid for the development of robotics sports in Heilongjiang Province.

Support from government bodies

According to the CIC Report, the Heilongjiang Provincial Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) has provided an abundance of resources for CRC competitions since it established a strategic cooperation relationship with the Heilongjiang Competition Committee of the CRC Working Committee. The first drone pilot training course for retired athletes organized by the Heilongjiang Provincial Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) and Heilongjiang Competition Committee was completed on 16 October 2015. The students enrolled in the training course completed 60 days of theory education, simulation training and practical onsite training. These students received drone pilot certificates issued by the CRC Working Committee and became the first batch of retired athletes to receive drone pilot certificates. In addition, 10 other retired athletes received their CRC robotics sports certificate, becoming China's first batch of retired athletes to do so. These athletes plan to return to the competition arena as referees in the first China Zhongguancun Robot Technology Sports Games in December 2015. It has been a success for the General Administration of Sport, introducing a different career path for retired athletes in Heilongjiang. The General Administration of Sport intends to promote the opportunity for retired athletes to become CRC students, instructors or personnel on a nationwide scale, which is expected to have a considerable impact on the development of robotics education.

Intelligence resources for institutions of science and technology, and close cooperation between education institutions and enterprises

According to the CIC Report, key institutions of science and technologies in Heilongjiang, including Harbin Institute of Technology, Harbin Engineering University and Harbin University, have formed a new platform for young adults and robot enthusiasts to communicate interactively and demonstrate scientific and technological achievements. In Heilongjiang Province, there are also drone pilot training programs, specifically catering to the special training of various talents as required for robotics sports. It is believed that training centres as established by these higher education institutions will provide assurance to the robotics education industry, as well as venues for robotics sports in the future.

Various robotics sports and participation of passionate student delegations

The National School Sports Robot League (the "NSSRL", 全國學校體育機器人運動聯盟) was established by the Ministry of Education and CRC Working Committee in April 2015, and has become one of the eight major leagues led by the Ministry of Education. As at 3 August 2015, NSSRL received more than 4,000 applications from local education bureaus, elementary and secondary schools, and universities across the country, among which more than 100 applications were filed in Heilongjiang Province. According to the CIC Report, robotics sports in Heilongjiang Province have already extended to five key cities and more than twenty cities at the county level. These robotics sports have promoted the sustainable development of the robotics education market.

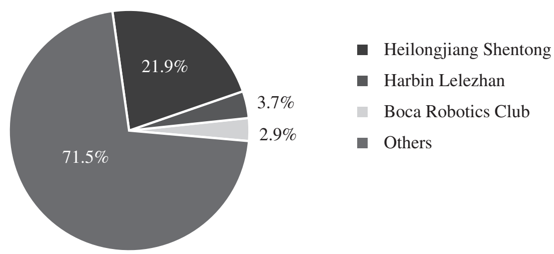
Full-range coordination for competitions, teachers, and curriculums

Competitions sponsored for robotics education require the proactive involvement of teachers (including participating coaches and referees) in activities, as well as a full range of training courses. In Harbin, the number of robotics teachers and personnel for organising robotics sports grew significantly in 2015. In line with the growing robotics training centres and related programs, the number of participants for robotics training is expected to increase significantly as well. The growth of robotics sports and training in each area requires the synchronised development of these critical elements.

Competitive Landscape

The robotics education market in Heilongjiang Province is relatively fragmented. Relatively well-known robotics education institutions include Heilongjiang Shentong, Boca Robotics Club (博佳機器人俱樂部), Harbin Lelezhan (哈爾濱樂樂站), etc. In terms of the number of participants in robotics education in 2014, Heilongjiang Shentong has been the market leader with 15,000 participants and 21.9% market share in the robotics education market in Heilongjiang Province. The second and third largest robotics education institutions in terms of trained participants are Harbin Lelezhan and Boca Robotics Club, representing 3.7% and 2.9% of the total number of participants, respectively.

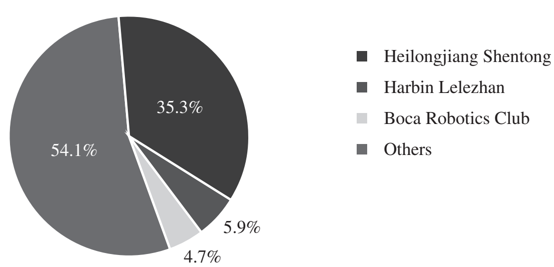
Competitive Landscape of the Robotics Education Market in Heilongjiang Province (2014)



Source: CIC Report

In terms of the number of robotics education and training centres in Heilongjiang Province, there were in total 85 single activity extracurricular training centres in Heilongjiang Province in 2014. The number of robotics education training centres organised by Heilongjiang Shentong amounted to 30, representing 35.3% of the market share. The other institutions are very segregated, and the second and third largest robotics education institutions have only five and four training centres, respectively.

Competitive Landscape of Robotics Education Centres in Heilongjiang Province (2014)



Source: CIC Report

Heilongjiang Shentong is a professional service provider focused on robotics sports and training in the robotics education industry in Heilongjiang Province, and is the exclusive competition organiser for CRC competitions. Heilongjiang Shentong has earned recognition from the NSSRL, and maintains strategic partnerships in various areas, including its collaboration with the Public Security Bureau on the drone pilot training program, its cooperation with retired athletes on robotics referee and timekeeper training, and its partnership with well-known universities on the establishment of training centres in Heilongjiang Province.

According to the CIC Report, Heilongjiang Shentong enjoys an unparalleled competitive edge over other education institutions in robotics student training, robotics championship training (referees and timekeepers), and robotics coach training. In particular, the CRC competition and training exclusively organised by Heilongjiang Shentong are recognised by the General Administration of Sport of China as a competition held at a national level. Currently, the training centre for CRC competitions is the only official robotics training base established within the school. According to the CIC Report, following the establishment of NSSRL, one of the top eight leagues under the Ministry of Education, government authorities are cooperating with the CRC to conduct promotional activities in Heilongjiang Province. Currently, 88 education institutions have entered into agreement to become CRC training centres and of which 18 have already launched CRC training courses.

According to the CIC Report, in line with the growing number of student participants in the robotics education market, as well as growing reputation and status of the CRC competitions amongst government authorities and schools, it is estimated that the number of education bases and training centres that enter into contracts with the CRC will continue to increase in the near future, and CRC competitions are likely to be more popular among robotics education participants.

LAWS AND REGULATIONS RELATING TO THE BUSINESS OF THE TARGET GROUP

Laws and regulations relating to the establishment of foreign investment enterprises

The Foreign Investment Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》) (the "Foreign Investment Enterprise Law")

The Foreign Investment Enterprise Law was approved by the 4th meeting of the Standing Committee of the 6th National People's Congress of the PRC on 12 April 1986 and promulgated by the PRC Presidential Decree (No. 39) on 12 April 1986, which became effective on the same date. The Decision of the Standing Committee of the National People's Congress Concerning the Amendments to the Foreign Investment Enterprise Law of the PRC (《全國人民代表大會常務委員會關於修改<中華人民共和國外資企業法>的決定》) was passed by the Standing Committee of the 9th National People's Congress of the PRC on 31 October 2000 and promulgated by the PRC Presidential Decree (No. 41) on 31 October 2000, which became effective from its promulgation date.

With the purpose to expand economic cooperation and technological exchanges with foreign parities, the Foreign Investment Enterprise Law was formulated to permit the establishment of foreign investment enterprises by foreign investors in the PRC, protect the lawful interests of foreign investment enterprises, and govern the matters such as the establishment, restrictions on the scope of business, business activities and personnel of foreign investment enterprises.

Pursuant to the Foreign Investment Enterprise Law, application for establishment of a foreign investment enterprise in the PRC must be subject to review and approval of the competent foreign economy and trade department or the authorised authority of the State Council. After an application for the establishment of a foreign investment enterprise has been approved, the foreign investor shall, within 30 days from the date of receiving a certificate of approval, apply to the industry and commerce administration authorities for registration and obtain a business license. In the event of a separation, merger or other major change, a foreign investment enterprise shall report to and seek approval from the relevant authorities, and register the change with the industry and commerce administration authorities.

The Implementation Rules of the Foreign Investment Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法實施細則》) ("Implementation Rules of the Foreign Investment Enterprise Law")

The Implementation Rules of the Foreign Investment Enterprise Law were approved by the State Council on 28 October 1990 and promulgated by the Ministry of Foreign Economy and Trade on 12 December 1990, which became effective on the same date. The Decisions of the State Council Concerning the Amendments to the Implementation Rules of the Foreign Investment Enterprise Law of the PRC (《國務院關於修改<中華人民共和國外資企業法實施細則>的決定》) was passed by the State Council on 12 April 2001 and promulgated by the State Council on 12 April 2001, which became effective from its promulgation date.

The Implementation Rules of the Foreign Investment Enterprise Law apply to matters such as the establishment, organisation form, registered capital, capital contribution method and term of a foreign investment enterprise. Pursuant the Implementation Rules of the Foreign Investment Enterprise Law, the application for the establishment of a foreign investment enterprise shall be submitted to the Ministry of Foreign Economic Relations and Trade, and after examination and approval, a certificate of approval shall be issued by the Ministry. With respect to the application for the establishment of a foreign investment enterprise that falls under one of the following circumstances, the State Council shall authorise the government of the relevant province, autonomous region, municipality directly under the Central Government, municipality separately listed on the state plan, or the special economic zone, to issue the certificate of approval after examining and approving the application: (i) the total amount of investment is within the limits of powers for the approval of investments stipulated by the State Council; and (ii) the proposed enterprise does not need raw and processed materials to be allocated by the State, or does not unfavorably influence the national balance of energy resources, transportation, as well as export quotas for foreign trade.

As at the date hereof, Heilongjiang Shentong has obtained the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC (《中華人民共和國台港澳僑投資企業批准證書》) issued by the people's government of Harbin Municipality (Approval No.: Shang Wai Zi Ha Tou Zi Zheng Zi [2015] No. 0010) with the approval date of 14 April 2015 and the date of issuance of 17 April 2015.

Laws and regulations relating to organising sports events

Law of the People's Republic of China on Physical Culture and Sports (《中華人民共和國體育法》) ("Sports Law")

The Sports Law was approved the Standing Committee of the 8th National People's Congress of the PRC on 29 August 1995 and promulgated by the PRC Presidential Decree (No. 55) on 29 August 1995, which became effective on 1 October 1995. Amendments were made to the Sports Law under the Decisions of the Standing Committee of the National People's Congress Concerning the Amendments to Certain Laws (《全國人民代表大會常務委員會關於修改部分法律的決定》) which was passed by the Standing Committee of the 11th National People's Congress and promulgated by the PRC Presidential Decree (No. 18) on 27 August 2009, which became effective on the same date.

The Sports Law sets out general provisions on community sports, school sports and competitive sports. The Sports Law addresses regulations on administrative organs, organisation of sports activities, standards for physical exercises, as well as duties, responsibilities and legal liabilities of sports-related social organisations. In accordance with the Sports Law, the State practices classified administration of sports competitions.

National sports games shall be administered by the administrative department for physical culture and sports under the State Council or by the administrative department for physical culture and sports under the State Council in conjunction with other relevant organisations. National competition of an individual sport shall be administered by the national association of the said sport. Local individual sports games and competition shall be administered by measures formulated the local people's governments.

In accordance with Article 37 of the Sports Law, sports administrations at all levels are public sports organisations responsible for uniting athletes and sports-related employees, and are responsible for developing the sports industry.

The Decision of the State Council Concerning the Cancellation of the Examination and Approval Items not Subject to Administrative License (《國務院關於取消非行政許可審批事項的決定》) (Guo Fa [2015] No. 27)

The Decision of the State Council Concerning the Cancellation of the Examination and Approval Items not Subject to Administrative License (Guo Fa [2015] No. 27) was passed by State Council on 15 May 2015 and promulgated by State Council on 15 May 2015, which became effective on the same date.

According to the Decision of the State Council Concerning the Cancellation of the Examination and Approval Items not Subject to Administrative License (Guo Fa [2015] No. 27), 49 examination and approval items not subject to administrative license were cancelled, and 84 examination and approval items not subject to administrative license were changed to items subject to internal examination and approval of the government.

With regard to the examination and approval of sports games, "Examination and Approval for Organising National and International Sports Games" was listed as item 59 in the "List of Items Changed to Be Subject to Internal Examination and Approval of the Government" (國務院決定調整為政府內部審批的事項目錄). Accordingly, no citizens, legal persons or organisations shall organise national and international sports games without the internal examination and approval of the government.

Laws and regulations relating to advertising business

Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) (the "Advertising Law")

The Advertising Law was approved by the Standing Committee of the 8th National People's Congress of the PRC on 27 October 1994 and promulgated by the PRC Presidential Decree (No. 34) on 27 October 1994, which became effective on 1 February 1995. The amendments to the Advertising Law were passed at the 14th meeting of the Standing Committee of the 12th National People's Congress of the PRC on 24 April 2015 and promulgated by the PRC Presidential Decree (No. 22) on 24 April 2015, which became effective on 1 September 2015. The industry and commerce administration authorities under the State Council shall be in charge of advertising supervision and administration nationwide, while the industry and commerce administration authorities at or above county level shall be in charge of the advertising supervision and administration within their respective administrative areas.

The Advertising Law provides for comprehensive standards and stipulations on contents standard of advertisements, code of conduct of adverting activities, supervision and administration of administrative organs and legal liabilities of advertising agents. Pursuant to the Advertising Law, broadcasting stations, television stations and publishers of newspapers and periodicals that are engaged in advertisement publishing activities are required to put in place a department specialised in advertising business, have necessary staff, premise and equipment equivalent to that of businesses specialising in the advertising industry, and register the publishing of advertisement with local industry and commerce administration authorities at or above county level.

As Heilongjiang Shentong is not a broadcasting station, television station or periodicals publishing entity, its advertisement publishing business is not subject to registration for publishing of advertisement.

Regulation on the Administration of Advertising (《廣告管理條例》)

The Regulation on the Administration of Advertising was approved by the State Council on 1 December 1987 and promulgated by the State Council on 26 October 1987, which became effective on 1 December 1987. According to the Regulation on the Administration of Advertising, entities and self-employed industrialists or businessmen wishing to engage in the advertising business shall apply to industry and commerce administration authorities for the following approvals: (i) enterprises specialising in advertising business shall apply for the Enterprise Business License;; (ii) institutions concurrently engaged in advertising business shall apply for the Advertising Business Licenses; (iii) privately or individually owned businesses with capabilities in advertising business shall apply for Business License; and (iv) enterprises that are concurrently in the advertising business shall register for its change of business scope. In light of the Regulation on the Administration of Advertising, Heilongjiang Shentong filed an application for change of its business scope registration on 7 August 2015 to incorporate into its business scope "the business of advisement design, production, publication and agency in the PRC and abroad".

Detailed Implementation Rules for the Regulation on the Administration of Advertising (《廣告管理條例施行細則》) (the "Detailed Implementation Rules")

The Detailed Implementation Rules were approved by the State Administration for Industry and Commerce on 9 January 1988 and promulgated by the State Administration for Industry and Commerce on 9 January 1988, which became effective on the same date. There have been six rounds of amendments to the Detailed Implementation Rules, which were adopted at the executive meeting of the State Administration for Industry and Commerce on 30 November 2004 and became effective on 1 January 2005. Certain provisions of the Detailed Implementation Rules were deleted pursuant to the Decision of the State Administration for Industry and Commerce Concerning the Amendments to Relevant Regulations in Accordance with the "Administrative Enforcement Law of the PRC" (《國家工商行政管理總局關於按照<中華人民共和國行政強制法>修改有關規章的決定》), which was passed by the State Administration for Industry and Commerce on 12 December 2011, promulgated on 12 December 2011 by the State Administration for Industry and Commerce Decree (No. 58) and became effective on 1 January 2012.

The Detailed Implementation Rules provide for detailed stipulations in respect of the qualifications and staffing of enterprises engaged in the advertising business; and the relevant certificates required for conducting advertising business. According to the Detailed Implementation Rules, any enterprise that applies for the approval to engage in advertising business shall, in addition to meeting conditions such as business registration, have the following: (i) an institution responsible for market survey and the relevant specialised personnel thereof; (ii) managerial personnel with detailed knowledge of advertising administrative legislation and personnel who are able to undertake the design, production and editing of advertisements; (iii) full-time accounting personnel; and (iv) the ability to work with foreign businesses in accepting or acting as an authorised agent for foreign businesses' advertisements in China.

Decision of the State Council Concerning the 4th Cancellation and Adjustment List of the Administrative Examination and Approval Projects (《國務院關於第四批取消和調整行政審批項目的決定》) (Guo Fa [2007] No. 33)

Pursuant to the Decision of the State Council Concerning the 4th Cancellation and Adjustment List of the Administrative Examination and Approval Projects (《國務院關於第四批取消和調整行政審批項目的決定》) (Guo Fa [2007] No. 33) which was passed by State Council on 28 March 2008, promulgated by State Council on 28 March 2008 and became effective on the same date, 128 and 58 administrative examination and approval projects were cancelled and adjusted, respectively.

The Decision of the State Council Concerning the 4th Cancellation and Adjustment List of the Administrative Examination and Approval Projects (《國務院關於第四批取消和調整行政審批項目的決定》) cancelled project 66, which concerned the approval of qualifications for enterprises to operate in the advertising business was cancelled. Accordingly, the administrative license requirements as stipulated in clause 2 of condition 6 of the Regulation on the Administration of Advertising (Guo Fa [1987] No. 94) (i.e. the qualifications for enterprises to operate in the advertising business) were cancelled. Companies operating in the advertising business will longer need to apply for Advertising Business Licenses.

Laws and regulations relating to labour protection

Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the "Labour Contract Law")

4th meeting of the Standing Committee of the 6th National People's Congress of the PRC

The Labour Contract Law was approved by 28th meeting of the Standing Committee of the 10th National People's Congress of the PRC on 29 June 2007 and promulgated by the PRC Presidential Decree (No. 65) on 29 June 2007, which became effective on 1 January 2008. The Decision Concerning the Amendments to the "Labour Contract Law" (《關於修改<勞動合同法>的決定》) was passed at the 30th meeting of the Standing Committee of the 11th National People's Congress on 28 December 2012, promulgated by the PRC Presidential Decree (No. 73) on 28 December 2012 and came into force on the same date.

Pursuant to the Labour Contract Law and its amendments, an employment relationship is established between an employer and an employee when the employee commences work. A written labour contract shall be concluded within one month from the date when the employee commences work for the employer. If an employer fails to enter into a written labour contract with its employee within the period of one month to one year from the date of commencement of the employment relationship, the employer shall pay the employee double the salary he/she is entitled to and shall cause an employment contract to be entered into with the employee in rectification. Where the employment contract is terminated or ended due to the fault of an employer, or by the employer's violation of the Labour Contract Law, the employer shall pay the corresponding amount of compensation to the employee.

Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (the "Social Insurance Law")

The Social Insurance Law was approved by the Standing Committee of the 11th National People's Congress on 28 October 2010 and promulgated by the PRC Presidential Decree (No. 35) on 28 October 2010 and became effective on 1 July 2011.

Pursuant to the Social Insurance Law, the social insurance administrative department under the State Council shall be responsible for the administration and management of the social insurance scheme nationwide, and the social insurance administrative departments under the local governments at or above county level shall be responsible for social insurance administration and management within the respective administrative regions that they govern.

An employer shall, within 30 days after the employment, proceed to the social insurance administrative department at the place where the employer is located, apply for social insurance registrations on behalf of the employees. Both employers and individual employees shall pay social insurance premiums as prescribed under the law, including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance. The portion of the social insurance premiums payable by individual employees shall be paid by their employers on their behalf out of their salaries.

Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) (the "Housing Provident Funds Regulations")

The Housing Provident Funds Regulations were approved by the State Council on 3 April 1999 and promulgated by the State Council Decree (No. 262) on 3 April 1999, which became effective on the same date. The Decision of the State Council Concerning Amendments to the "Regulations on the Administration of Housing Provident Funds" (《國務院關於修改<住房公積金管理條例>的決定》) was passed by the State Council on 24 March 2002 and promulgated by the State Council Decree (No. 350) on 24 March 2004, which became effective on the same date.

Pursuant to these regulations, if an employer employs a new worker or staff, the employer shall undertake to register payment with the managing center of housing provident fund within 30 days of the employment. The employer shall arrange to set up or transfer the bank account for housing provident funds to the designated bank with the relevant approval documents from the managing center of housing provident fund. In case of termination of the employment relationship between the employer and the employee, the employer shall undertake to alter the registration at the managing center of housing provident within 30 days of termination. The employer shall arrange for the transfer or closing of the bank account for housing provident funds at the designated bank with the relevant approval documents from the managing center of housing provident fund. All employers shall make housing provident fund payments by such time and in such amount as prescribed under the law and no late payment or underpayment is allowed.

Laws and regulations relating to taxation

Notice of the State Administration of Taxation on Strengthening of the Management of Enterprise Income Tax on Income from the Transfer of Equities by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (Guo Shui Han [2009] No. 698) (the "Circular 698")

The Notice of the State Administration of Taxation on Strengthening of the Management of Enterprise Income Tax on Income from the Transfer of Equities by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) was passed by the State Administration of Taxation, promulgated by the State Administration of Taxation on 10 December 2009 and became effective on 1 January 2008.

Circular 698 governs the declaration of enterprise income tax payable by non-resident enterprises on the income from transfer of equity interest in PRC resident enterprise. According to Circular 698, income from the transfer of equity interest refers to the difference between the equity transfer price and the cost of the equity interest. The equity transfer price refers to the consideration which includes cash and other forms of non-monetary assets or interests received by the transferor from the transfer. Circular 698 stipulates that if the enterprise of the equity to be transferred has unallocated profits or funds to be drawn after tax, any such amount to be transferred along with the equity may not be deducted from the equity transfer price. Upon completion of the transfer, the purchaser shall bear the obligation to withhold tax. If the purchaser fails to withhold tax in accordance with Circular 698, or is unable to perform its withholding obligation, the vendor shall, within seven days from the date of equity transfer as stipulated under the agreement, declare enterprise income tax at the competent local tax authorities of the purchaser.

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) (the "Bulletin 7")

The 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》) was passed by the State Administration of Taxation, promulgated by the State Administration of Taxation on 3 February 2015 and became effective on 3 February 2015.

Bulletin 7 governs the enterprise income tax obligations of non-resident enterprises on indirect transfer of taxable properties. Bulletin 7 sets out the criteria as to whether an offshore indirect transfer is one with reasonable commercial purpose. If a non-resident enterprise indirectly transfers its equity interest in a PRC resident enterprise and other properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of the indirect transfer shall be redefined and recognised as a direct transfer of equity interest in a PRC resident enterprise. Bulletin 7 provides that the overall circumstances of such transfer shall be considered and the following relevant factors shall be analysed in determining whether the arrangements have no reasonable commercial purpose: (i) whether the main value of the equity of the overseas enterprise is, directly or indirectly, sourced from the PRC taxable properties; (2) whether the assets of the overseas enterprise is, directly or indirectly, mainly sourced from the PRC; and (3) whether the actual functions performed and risks undertaken by the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC taxable properties can prove the economic substance of the corporate structure.

The Interim Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) (the "Interim Regulations on Value-Added Tax")

The Interim Regulations on Value-Added Tax was approved by the State Council on 26 November 1993 and promulgated by the State Council Decree (No. 134) on 13 December 1993, which became effective on 1 January 1994. The amendments to Interim Regulations on Value-Added Tax were passed at the 34th executive meeting of the State Council on 5 November 2008, promulgated by the State Council Decree (No. 538) on 10 November 2008 and became effective on 1 January 2009.

Pursuant to the Interim Regulations on Value-Added Tax, all entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax ("VAT"), and shall be subject to VAT in accordance with these regulations. The VAT tax rate for small-scale taxpayers shall be 3%. Upon approval of the competent tax authorities, small-scale taxpayers with sound accounting who can provide accurate taxation information may seek approval from the relevant tax authority to not be treated as a small-scale taxpayer. Unless otherwise stipulated, the general taxpayers shall be subject to VAT at the rate of 17%.

Interim Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業税暫行條例》) (the "Interim Regulations on Business Tax")

The Interim Regulations on Business Tax was approved by the State Council on 26 November 1993 and promulgated by the State Council Decree (No. 136) on 13 December 1993, which became effective on 1 January 1994. The amendments to the Interim Regulations on Business Tax were passed at the 34th executive meeting of the State Council on 5 November 2008 and became effective on 1 January 2009. Pursuant to the Interim Regulations on Business Tax, all entities and individuals engaged in the provision of services, transfer of intangible assets or sale of immovable within the territory of the PRC shall be subject to business tax at the prescribed percentages of the revenue.

The Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (the "EIT Law")

The EIT Law was approved by the 5th meeting of the Standing Committee of the 10th National People's Congress of the PRC on 16 March 2007 and promulgated by PRC Presidential Decree (No. 63) on 16 March 2007 and became effective on 1 January 2008.

Pursuant to the Interim Regulations on Business Tax, subject to specific reliefs, reductions or exemptions as stipulated by law, imposes enterprise income tax at the uniform rate of 25% on both domestic and foreign-invested enterprises. A resident enterprise is subject to enterprise income tax for its income derived from both inside and outside the territory of the PRC.

The Provisional Regulations of the People's Republic of China on Urban Maintenance and Construction Tax (《中國人民共和國城市維護建設税暫行條例》) (the "Urban Maintenance and Construction Tax")

The Urban Maintenance and Construction Tax was approved by the State Council on 8 February 1985 and promulgated by the State Council on 8 February 1985, which became effective on the same date. Certain provisions of the Urban Maintenance and Construction Tax were amended under the Decision of the State Council Concerning Abrogating and Amending Certain Administrative Laws and Regulations (《國務院關於廢止和修改部分行政法規的規定》) which was passed at the 138th executive meeting of the State Council on 8 January 2011 and promulgated by the State Council Decree (No. 588) on 8 January 2011 and became effective on the same date.

Pursuant to the Urban Maintenance and Construction Tax, all entities and individuals subject to consumption tax, value-added tax and business tax shall be obliged to pay urban maintenance and construction tax. The amount of urban maintenance and construction tax payable by a taxpayer shall be based on the amount of consumption tax, value-added tax and business tax the taxpayer is charged, and payment shall be made at the same time as the payment for consumption tax, value-added tax and business tax. The applicable tax rate shall be 7% for taxpayers in cities, 5% for taxpayers in counties or towns and 1% for taxpayers living in other places.

Interim Provisions on the Collection of Education Surtax (《徵收教育費附加的暫行規定》)

The Interim Provisions on the Collection of Education Surtax were approved by the State Council on 28 April 1986 and promulgated by the State Council Decree (No. 60) on 28 April 1986 and became effective on 1 July 1986. The Interim Provisions on the Collection of Education Surtax were amended on 8 January 2011 by the State Council, all entities and individuals subject to consumption tax, value-added tax and business tax, other than entities that have paid rural education undertaking surtax pursuant to Notice of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》), shall pay education surtax. The education surtax is calculated at 3% of the consumption tax, value-added tax and business tax payable by an entity or individual, and payment shall be made at the same time as the payment for consumption tax, value-added tax and business tax.

Education Law of the People's Republic of China (《中華人民共和國教育法》) (the "Education Law")

The Education Law was approved by the 3rd meeting of the Standing Committee of the 8th National People's Congress of the PRC on 18 March 1995 and promulgated by the National People's Congress on 18 March 1995 and became effective on 1 September 1995. The Education Law authorises the governments of provinces, autonomous regions, and municipalities directly under the Central Government to levy local surtax to be used exclusively for educational purposes in accordance with the relevant regulations of the State Council. The Notice of the Ministry of Finance on Issues Concerning Policies on Unifying Local Education Surtax (《財政部關於統一地方教育附加政策有關問題的通知》) issued on 7 November 2010 provides that all entities and individuals, including foreign-invested enterprises, foreign enterprises and foreign individuals, shall pay local education surtax at 2% of the value-added tax, business tax and consumption tax charged. Provinces which have levied local education surtax at a rate below 2% with the approval of the Ministry of Finance shall adjust the tax rate to 2%.

HISTORY AND DEVELOPMENT OF THE TARGET GROUP

Target Company

On 26 March 2015, the Target Company was incorporated in the British Virgin Islands with Ms. ZHAO Shuli as its sole shareholder, holding one share at a par value of US$1.00 subscribed for in cash. The Target Company is principally engaged in investment holding.

CCI HK

On 9 April 2013, CCI HK was incorporated as a limited liability company in Hong Kong. 100 founder member shares with a par value of HK$1.00 each were held by CCI and subscribed for at a consideration of HK$100.00.

Heilongjiang Shentong

On 29 January 2013, Heilongjiang Shentong was established under the laws of the PRC with a registered capital of RMB1,000,000 and is wholly-owned by Beijing Shentong, a wholly-owned subsidiary of CCC and a connected person of the Company.

Global Luck

On 3 June 2013, Global Luck was incorporated with limited liability in Hong Kong with one founder member share held by Company Kit Secretarial Services Limited, an independent third party, subscribed at a consideration of HK$1.00.

On 28 June 2013, one ordinary share of Global Luck, representing the entire issued share capital of Global Luck, was transferred from Company Kit Secretarial Services Limited as transferor to Mr. BAO Yueqing as transferee at a consideration of HK$1.00 in cash. Pursuant to a declaration of trust dated 28 June 2013 made by Mr. BAO Yueqing, Mr. BAO Yueqing held the aforesaid shareholdings as trustee for and on behalf of CCI HK.

On 23 December 2014, the legal ownership in one ordinary share of Global Luck was transferred from Mr. BAO Yueqing as transferor to CCI HK as transferee pursuant to the declaration of trust dated 28 June 2013 made by Mr. BAO Yueqing in favour of CCI HK. As a result of the aforesaid transfer, Global Luck became legally and beneficially owned by CCI HK.

Daqing Shentong

Daqing Shentong was established under the laws of the PRC on 16 June 2011 with a registered capital of RMB300,000. Prior to the acquisition of Daqing Shentong by Heilongjiang Shentong, the shares in Daqing Shentong were held by Mr. GU Qiang (顧強) and Mr. JIN Qinglin (金青林) in equal parts. On 10 April 2014, Heilongjiang Shentong entered into an agreement with Mr. GU Qiang (顧強) and Mr. JIN Qinglin (金青林), each an independent third party, (as supplemented by a supplemental agreement dated 16 June 2014) to acquire the entire equity interest in Daqing Shentong at an aggregate consideration of RMB2,750,000 in cash, of which RMB1,480,000 was settled between 10 June 2014 and 6 August 2015 and the remaining amount of RMB1,270,000 will be settled on or before 31 May 2016.

The aforesaid transfer was completed on 30 July 2014, and Daqing Shentong has been a wholly-owned subsidiary of Heilongjiang Shentong since 30 July 2014.

Reorganisation

The Reorganisation was implemented through a series of transactions by various parties. In particular, Ms. ZHAO Shuli agreed to participate in, and to facilitate, the Reorganisation, as described below.

On 8 January 2015, in order to facilitate the Reorganisation:

(a) a four-party agreement was entered into between Ms. ZHAO Shuli, CCI, Global Luck and Merit Power, pursuant to which the amount of HK$1,000,000 due from Global Luck to Merit Power was transferred to Ms. ZHAO Shuli and became amount due from Ms. ZHAO Shuli to Merit Power, and Global Luck was authorised by CCI and Merit Power (a wholly-owned subsidiary of CCI) to utilise HK$1,000,000 to acquire the entire equity interest in Heilongjiang Shentong; and

(b) 100 ordinary shares of CCI HK, representing the entire issued share capital of CCI HK, was transferred from CCI as transferor to Ms. ZHAO Shuli as transferee at a consideration of HK$100.00 in cash. The aforesaid consideration was settled on 8 January 2015.

On 1 March 2015, an equity transfer agreement was entered into between Beijing Shentong and Global Luck pursuant to which the entire equity interest in Heilongjiang Shentong was transferred from Beijing Shentong to Global Luck at a consideration of HK$1,000,000 in cash, subject to completion of the change of registration with the relevant industry and commerce bureau in accordance with laws and regulations of the PRC, which was completed on 23 April 2015 as described below.

On 10 April 2015, the Target Company acquired the entire issued share capital of CCI HK from Ms. ZHAO Shuli by way of a share swap pursuant to which:

(a) 100 ordinary shares of CCI HK, representing the entire issued share capital of CCI HK, was transferred from Ms. ZHAO Shuli as transferor to the Target Company as transferee in consideration of the allotment and issue of nine shares in the Target Company credited as fully paid up by the Target Company to Ms. ZHAO Shuli; and

(b) the Target Company allotted and issued nine shares credited as fully paid up to Ms. ZHAO Shuli in consideration of the transfer of 100 ordinary shares of CCI HK, representing the entire issued share capital of CCI HK, by Ms. ZHAO Shuli to the Target Company.

On 23 April 2015, the entire equity interest in Heilongjiang Shentong was transferred from Beijing Shentong to Global Luck at a consideration of HK$1,000,000 in cash. The aforesaid consideration was settled on 10 June 2015. Accordingly, Ms. ZHAO Shuli became the owner of the Target Company, which in turn owns the entire issued share capital of CCI HK, which in turn owns the entire issued share capital of Global Luck, which in turn owns the entire equity interest of Heilongjiang Shentong and which in turn owns the entire equity interest of Daqing Shentong.

On 24 April 2015:

(a) 10 shares of the Target Company, representing the entire issued share capital of the Target Company, was transferred by Ms. ZHAO Shuli to Profuse Year at a consideration of HK$1,000,000 in cash, which has been settled pursuant to the four-party arrangement described below; and

(b) a four-party agreement was entered among Ms. ZHAO Shuli, CCI, Profuse Year and Merit Power, pursuant to which the amount of HK$1,000,000 due from Ms. ZHAO Shuli to Merit Power (a wholly-owned subsidiary of CCI) was offset by the amount receivable by Ms. ZHAO Shuli from Profuse Year (a wholly-owned subsidiary of CCI) in respect of the aforesaid consideration of HK$1,000,000; and

(c) upon completion of the aforesaid transfer of the Target Company from Ms. ZHAO Shuli to Profuse Year, the Target Company became a direct wholly-owned subsidiary of Profuse Year and an indirect wholly-owned subsidiary of CCI and CCC.

Subsidiaries of the Target Group

The Target Group comprises the following companies:

(a) Target Company;

(b) CCI HK;

(c) Global Luck;

(d) Heilongjiang Shentong; and

(e) Daqing Shentong.

Set out below are (i) the dates of incorporation of the companies comprising the Target Group and (ii) the details in changes in the shareholdings in the companies comprising the Target Group during the year ended 31 March 2015 (i.e. throughout the full financial year immediately preceding the date of this circular).

The subsidiaries

Name	Date and place of incorporation	Shareholder(s) as at the date of this circular	Principal business activities
Target Company	26 March 2015 in the British Virgin Islands	Profuse Year (100%)	Investment holding
CCI HK	9 April 2013 in Hong Kong	Target Company (100%)	Investment holding
Global Luck	3 June 2013 in Hong Kong	CCI HK (100%)	Investment holding
Heilongjiang Shentong	29 January 2013 in the PRC	Global Luck (100%)	Provision of robot-related consultancy services, conference and advertising services and organising robotics competitions
Daqing Shentong	16 June 2011 in the PRC	Heilongjiang Shentong (100%)	Provision of robot-related consultancy services and organising robot competitions

BUSINESS OF THE TARGET GROUP

Competitive strengths

The Target Group's directors believe that the following competitive strengths enable the Target Group to compete effectively in the robotics education industry:

The only authorised entity to develop competitions and to provide education and training courses in Heilongjiang province under the CRC brand

The Target Group is the only authorised entity to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province. The CRC brand is the only robotics sports competition that is recognised as the national sports event by the General Administration of Sport (國家體育總局) in the PRC, according to the CIC Report. Robotics sports competition is an emerging social sports competition (新興社會體育賽事) as recognised by the General Administration of Sport (國家體育總局). The development of CRC robotics education courses in schools is also endorsed by the National School Sports Robot League (全國學校體育機器人運動聯盟), one of the eight associations under the Ministry of Education of PRC.

Leveraging on the CRC brand, the Target Group is the market leader in terms of the number of participants in the robotics education market in Heilongjiang Province in 2014, according to the CIC Report. In 2014, the Target Group has 15,000 participants, representing the largest market share of 21.9% in the robotics education market in Heilongjiang Province. The second and third largest robotics education institutions have a market share of 3.7% and 2.9% respectively. The robotics education institutions in Heilongjiang Province (other than the Target Group) can provide robotics education but they cannot use CRC training materials and the CRC brand.

The Target Group has a strong growing network to provide CRC training courses by cooperating with schools and CRC training centres. According to the CIC Report, the Target Group has a network of 30 robotics education training centres in the Heilongjiang Province in 2014, representing the largest market share of 35.3% in the robotics education market in Heilongjiang. The other institutions in Heilongjiang Province are very segregated; the second and third largest robotics education institutions only have five and four robotics education centres, representing 5.9% and 4.7% of the market share respectively. The directors of the Target Group believe that the Target Group enjoys a first-mover advantage over its emerging competitors due to the well-established CRC brand name, which facilitates the marketing and promotion of CRC training courses and creates a high barrier of entry for other competitors.

High growth prospects benefiting from the rapid growing robotics sports industry and well-established network

The Target Group operates in a rapid growing robotics sports industry with its well-established network. According to the CIC Report, governmental departments have been increasing their support for the robotics sports industry in the PRC in order to accelerate a healthy development of China's robotics sports industry. According to Xiaomin, the

Assistant Secretary of the General Administration of Sport (國家體育總局), the General Administration of Sport (國家體育總局) gives great emphasis and support to robotics sports. The relevant sports department should effectively popularise, and conduct training, team building and competitions relating to robotics sports. The provincial Sports Bureau and the Department of Education have provided vigorous support to the Heilongjiang Robot Sports Association, the first industry-specific association focused on robotics sports and other robotics related fields in Heilongjiang Province.

As Heilongjiang Province was the first province in the PRC to establish official robotics sports association and competition committee to organise robot competitions and trainings, robotics sports remain popular in Heilongjiang Province and the demand for robotics education in Heilongjiang Province is growing rapidly. According to the CIC Report, the number of participants in the robotics education market in Heilongjiang Province grew from 14,757 in 2010 to 68,430 in 2014, representing a CAGR of 46.7% from 2010 to 2014, and that it is expected that the number of participants in the robotics education market in Heilongjiang Province will continue to grow to 320,963 in 2019, representing a CAGR of 36.2% from 2014 to 2019. According to the CIC Report, the penetration rate of robotics education in China (1%) is still very low compared to USA (10%), which allows for a huge growth potential.

According to the CIC Report, the Heilongjiang Province has 85 training centres set up and over 20,000 trained individual in robotics sports in 2014. It is estimated that around 5,000 coaches and umpires are short to meet the heated demand in 2014.

Benefitting from the fast growing of robotics sports industry in Heilongjiang Province, the Target Group experienced a rapid growth since its establishment. The total revenue generated by the Target Group increased from RMB42,075,000 to RMB76,590,000 from 31 March 2014 to 31 March 2015, representing an increase of 82% in revenue. In 2015, The Target Group expects that it will continue to benefit from the growing demands for robotics education in the PRC.

Integrated payment and customer data management system to enhance customer services and business planning

The use of CRC Shentong Card provides an integrated database of the CRC students which enable the Target Group to provide better customer services and have a better business planning. The CRC Shentong Card integrates the payment system and customer data management. Each CRC student has a personalised CRC Shentong Card registered under his/her name. The CRC Shentong Card would be used to register and make payment towards CRC training courses and competition admission fees. All data related to CRC students' history of attendance of courses, examination results, competition results can all be found in the CRC Shentong Card database. With the aforementioned data on the CRC students, the Target Group is able to analyse students' course preferences and progress, which allows the Target Group to devise its marketing and business strategies for future business development.

The electronic payment system also offers the Target Group a competitive advantage. Payment of CRC training courses can be carried out in a convenient and fast manner, thereby enhancing customer's experience. With respect to the Target Group, the electronic payment system lowers administrative costs by reducing cash handling costs. The electronic payment system also provides for greater accounting accuracy and efficiency. It simplifies day-end cash counting activities, reduces human counting errors as well as time required for bank reconciliations.

Diversified customer base capturing different sub-markets and income streams

The Target Group has established a large customer base for the CRC training courses. The Training Course Providers engaged by the Target Group offers a wide selection of training courses to a diverse student population with varying interests and needs. During the two years ended 31 March 2015, and the three months ended 30 June 2015, the Training Course Providers engaged by the Target Group offer 14 types of training courses, and the CRC students range from kindergarten students to university students, school teachers and full-time workers.

The following table sets forth a breakdown of the training courses by type for the periods indicated:

	For the year ended 31 March 2014		For the year ended 31 March 2015		For the three months ended 30 June 2015	
	Average monthly number of student	*%*	*Average monthly number of student*	*%*	*Average monthly number of student*	*%*
Comprehensive Sports Course	1,220	17.77	3,615	33.50	2,252	33.14
Water, Land and Air Sports Course	2,270	33.07	1,073	9.94	457	6.73
Racing Course	—	—	5	0.05	131	1.93
Polo Sports Course	—	—	127	1.18	993	14.60
Aerial Sports Course	67	0.98	224	2.08	35	0.52
Obstacles Sports Course	854	12.44	630	5.84	—	—
Training Courses for Instructors, Referees and other CRC qualified staff	2,453	35.74	5,118	47.41	2,927	43.08
Total	6,864	100	10,792	100	6,795	100

In order to capture different customers and income streams, the Target Group has established strategic partnerships with various associations, including the Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) and universities in Heilongjiang Province. Under the partnership with the Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心), Heilongjiang Shentong has agreed to provide multirotor training courses to retired athletes. The Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) is to liaise and gather a certain number of retired athletes to participate in the training courses. Suitable retired atheletes would receive further training to become CRC training instructors, referees or scorekeepers for the CRC Training Course Providers. Under the partnership with universities including Harbin Institute of Technology, Harbin Engineering University and Harbin University, the Target Group enjoys a sufficient customer base and has secured venues for organising CRC competitions.

The Target Group's directors believe that with the wide range of training courses and strategic partnerships, the Target Group has successfully captured customers from different sectors and income streams, contributing to its track record of success.

Experienced, professional and dedicated management team with in-depth industry knowledge

The Target Group's directors believe that the Target Group's performance and success is, to a significant extent, attributable to the expertise and experience of their key management personnel. As one of the pioneers in the robotics sports competition and education industry, the Target Group's management has acquired in-depth industry knowledge and experience since the Target Group's inception. The management team of the Target Group comprises of expertise in a wide range of fields, including finance, education and information and technology. The Target Group has endeavoured to recruit and train employees who could potentially contribute to the growth of the Target Group.

Strategies

The Target Group's goal is to further strengthen its leading market position in Heilongjiang Province by further penetrating its existing markets in order to fully capitalize on the rapid growth of the robotics sports industry in the PRC. The Target Group plans to implement the following strategies to achieve its goal:

Increase market share and expand CRC network in Heilongjiang Province

The Target Group plans to continue strategically expanding its CRC network in Heilongjiang Province in order to achieve organic revenue growth and greater economies of scale. Its expansion strategy is two-fold: first, to increase the number of registered official CRC training centres and CRC Training Course Providers in the Heilongjiang Province by promoting, conducting site visits and demonstrating the robotics competitions and training programs to the targeted schools and training centres; and second, to increase the number of CRC instructors and CRC competition qualified professionals (such as referees, timekeeper and other competition related personnel). As of the Latest Practicable Date, the Target Group has seven self-operated CRC demonstration centres and has cooperated with 140 CRC Training Course Providers and the number of CRC instructors and CRC competition qualified professionals were 2,840. The Target Group expects to increase the number of CRC Training Course Providers to approximately 325 and the number of CRC instructors and CRC competition qualified professionals to approximately 5,315 by end of 31 March 2017.

The Target Group also plans to promote the CRC competitions at a national level by participating in the Chinese International Youth Exchange Activities for Robot. It is expected that pre-applications to participate in the Chinese International Youth Exchange Activities for Robot will commence at the end of 2015.

Expansion of business line into unmanned aerial vehicles training by cooperation with Heilongjiang Traffic Police Department

The Target Group plans to broaden its customer base with the Heilongjiang Traffic Police Department by cooperating with the Bin County Public Security Bureau (賓縣公安局). The Target Group is in preliminary cooperation with the Bin County Public Security Bureau (賓縣公安局), whereby the Target Group would provide training on the theory and practical applications of unmanned aerial vehicles in relation to different aspects of law enforcement. The Target Group plans to continue and expand its cooperation with the Bin County Public Security Bureau (賓縣公安局). The expansion of business line into unmanned aerial vehicles will not only increase the Target Group's income, but also enhance its reputation and market share.

Establishment of alliances with strategic partners as an important marketing strategy to improve customer awareness and expand customer base

The Target Group has formed strategic partnerships with various associations, including the Heilongjiang Provincial Bureau Athletes Protection Centre (黑龍江省運動人事保障中心).

Under these strategic partnerships, the Target Group provides training courses specific to the partners' needs, and the strategic partner gathers a certain number of its respective members or employees to participate in the training courses.

These alliances with strategic partnerships act as an important marketing strategy for the Target Group to expand and diversify its customer base. Suitable retired athletes under the strategic partnership would receive further training to become CRC training instructors, referees or scorekeepers for the CRC Training Course Providers, which helps the Target Group to expand its network in the Heilongjiang Province. The Target Group intends to continue its cooperation with these strategic partners, and to identify and pursue opportunities with other associations.

Expanding the Target Group's business coverage to other provinces

In addition to organic growth, the Target Group seeks to expand its robotics sports coverage to cities or provinces outside Heilongjiang Province. The Company expects that its business development strategy to enlarge the user base of the "Shentong Card" would enhance the income of the Target Group and positively contribute to and improve the financial position of the Enlarged Group. As such, the Company is in preliminary negotiations with CCC to obtain a first right: (i) for the Company to develop business similar to the Target Group in other places in the PRC where CCC intends to do so; and (ii) to acquire at the Company's sole discretion from CCC should it decide to dispose of any of the business similar to that of the Target Group in other parts of the PRC.

As at the Latest Practicable Date, the Enlarged Group had not entered into any definitive agreement with CCC or engaged in any active discussion with any potential target. The Enlarged Group believes that it will be able to identify acquisition targets that complement its existing capabilities and businesses and allow it to continue to grow.

Principal activities of the Target Group in the PRC

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 Robotics 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 compete against each other at designated venues with the objective of winning 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), consented by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and further confirmed by the Heilongjiang Province Sports Federation (黑龍江省體育總會) and the Harbin Municipal Sports Federation (哈爾濱市體育總會) to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC. 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.

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 competition using CRC 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 CRC 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.

Revenue breakdown of the Target Group

The following table sets out the breakdown of the revenue of the Target Group contributed by payments using CRC Shentong Cards and other means for the years ended 31 March 2014 and 2015, and for the three months ended 30 June 2014 and 2015 respectively:

	For the year ended 31 March				For the three months ended 30 June			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
CRC Shentong Cards	37,689	86.15	66,686	83.46	17,423	87.34	13,043	96.08
Others	6,060	13.85	13,213	16.54	2,527	12.66	532	3.92
Total revenue, including sales tax	**43,749**	**100.00**	**79,899**	**100.00**	**19,950**	**100.00**	**13,575**	**100.00**
Less: Sales tax	(1,674)	N/A	(3,309)	N/A	(762)	N/A	(747)	N/A
Total revenue	**42,075**	**N/A**	**76,590**	**N/A**	**19,188**	**N/A**	**12,828**	**N/A**

CRC training courses and competition admission fees are required to be settled via CRC Shentong Cards, and the revenue of such fees generated via CRC Shentong Cards accounted for 86.15%, 83.46% and 96.08% of total revenue before sales tax of the Target Group for the year ended 31 March and 2014 and 2015, and for the three months ended 30 June 2015.

The remaining portion of the revenue of the Target Group which was not settled via CRC Shentong Cards (i.e. revenue other than and not relating to CRC training courses and competition admission fees) accounted for 13.85%, 16.54%, 3.92% of the total revenue before sales tax of the Target Group for the year ended 31 March 2014 and 2015, and for the three months ended 30 June 2015 respectively.

Business Overview

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. 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.

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

During the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015, the revenue of the Target Group was derived primarily from CRC training courses and competition admission fees. Such fees are required to be settled via CRC Shentong Cards, and the revenue of such fees generated via CRC Shentong Cards accounted for 86.15%, 83.46% and 96.08% of total revenue before sales tax of the Target Group for the year ended 31 March 2014 and 2015, and for the three months ended 30 June 2015.

The remaining portion of the revenue of the Target Group which was not settled via CRC Shentong Cards (i.e. revenue other than and not relating to CRC training courses and competition admission fees) accounted for 13.85%, 16.54% and 3.92% of the total revenue before sales tax of the Target Group for the year ended 31 March 2014 and 2015, and for the three months ended 30 June 2015 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 (長期戰略合作夥伴關係), 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 management 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 Contract First 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.

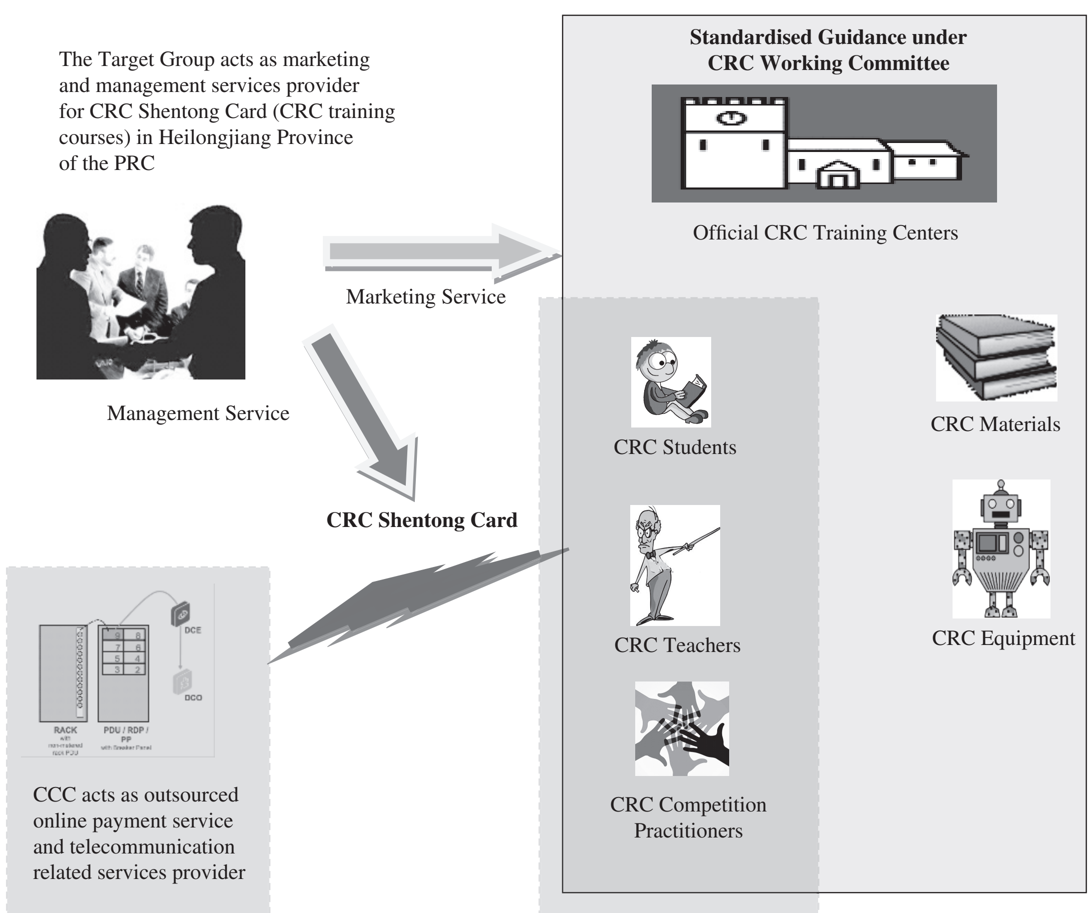
As advised by the PRC Legal Advisers, under the applicable PRC laws and regulations, no bidding process is required to renew the CRC Organisation Contract, and there is no legal impediment for Beijing Shentong to renew the CRC Organisation Contract with the Social Sports Direction Centre of the General 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 (長期戰略合作夥伴關係) 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 of CRC Shentong Cards applications and management services of 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, competition results can all be found in CRC Shentong Card database. The Target Group would manage the data according to the needs or requirements of 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 at Harbin and three of which are located at 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$*	*HK$* (unaudited)	*HK$*
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 regarding different kind 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 approximately for 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 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 (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 at 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 million accounting for approximately 86.15%, 83.46% and 96.08% of the Target Group's revenue before sales tax, for the years ended 31 March 2014 and 2015, and 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 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 the section headed "Information on the Target Group — Business of 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 as of 31 March 2014 and 2015, and 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 revenue before sales tax of the Target Group for the years ended 31 March 2014 and 2015, and for 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 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.

Market and competition

The robotics sports industry in the PRC is rapidly growing. Competition is expected to persist and intensify as robotics sports grow more popular in the PRC. According to the Independent Industry Consultant, in 2014, the Target Group was the largest provider of robotics education in Heilongjiang Province in terms of the total number of (i) robotics education training centres and (ii) training course participants. Excluding the Target Group, the other robotics education institutions are very segregated. In terms of the number of robotics education training centres in Heilongjiang Province in 2014, the Target Group has a network of 30 training centres, representing the largest market share of 35.3%; the second and third largest robotics sports education institutions have a market share of 5.9% and 4.7% respectively. In terms of the number of participants in Heilongjiang Province in 2014, the Target Group has 15,000 participants, representing the largest market share of 21.9%; the second and third largest robotics education institutions have a market share of 3.7% and 2.9% respectively.

Set out below is the top 3 providers of robotics education in Heilongjiang Province in 2014 in terms of number of robotics education training centres and number of training course participants according to which the Target Group is the largest:

Robotic Education Provider	Number of Robotics Education Training Centres	Training Course Participants
The Target Group	30	15,000
Harbin Lelezhan (哈爾濱樂樂站)	5	2,500
Boca Robotics Club (博佳機器人俱樂部)	4	2,000

Entry Barriers

According to the Independent Industry Consultant, the robotics education industry faces the following entry barriers:

(a) new participants may not be able to obtain hosting right and professional training qualifications of robotics competitions;

(b) new participants may not have the faculty resources to participate in the robotics education market;

(c) new participants may not have the capacity of developing curriculum systems; and

(d) new participants may not have the financial strength to set up robotics training centres.

Detailed information on the entry barriers are set out in the sub-section headed "Industry Overview" of this section in the circular.

The Target Group's directors believe that with their experience in the robotics sports industry to date, they can further diversify the customer base and increase the market share in the robotics sports industry in the PRC.

Suppliers

During the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015, the Target Group's key suppliers included the customer hotline rental service provider, smart card payment system provider, server hosting service provider, advertising service provider, website maintenance service provider and rental service providers. Purchases from the Target Group's largest supplier, CCC, accounted for 47.74%, 41.43% and 49.55% of the Target Group's total cost of sales for the years ended 31 March 2014, 2015 and the three months ended 30 June 2015 respectively, whilst purchases from key suppliers accounted for 85.9%, 88.6% and 83.2% of the Target Group's total cost of sales in the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015 respectively.

All of the suppliers during the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015 are parties with whom the Target Group has had business relationship for more than two years. Three of the four largest suppliers of the Target Group are connected persons of the Target Group, the remaining supplier is an independent third party. As advised by the Company and based on the information available from the Vendor and the Target Group, the pricing basis for the supply contracts between the Target Group and its suppliers were 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 available from independent third parties.

Three of the four largest suppliers are CCC and its subsidiaries; and are therefore connected persons of the Target Group. Save as disclosed, none of the Target Group's directors, or their respective close associates or any person who, to the best of the Target Group's directors knowledge, owns more than 5% of the Target Group's issued share capital or of any of its subsidiaries, had any interest in any of the suppliers during the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015. During the years ended 31 March 2014 and 2015 and up to the Latest Practicable Date, there has not been any material non-performance by the suppliers that caused disruptions to the businesses or material complaints of the services provided by the Target Group.

Inventories

During the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015, the Target Group's key inventory is training textbooks for CRC training courses, which accounted for its entire inventory for the years ended 31 March 2014 and 2015. The Target Group's Directors expect that the Target Group will not need to incur any material inventory expense in the foreseeable future.

Subcontracting

Due to the Target Group's manpower availability, the expertise required, cost effectiveness and the level of complexity of work involved, the Target Group outsources the provision of CRC training courses to CRC Training Course Providers. For details, please refer to the sub-sections headed "Arrangements of the Target Group with schools and co-operated training centres" and "Relationship of schools and co-operated training centres with the Target Group and its connected persons" in this section of the circular.

Quality control

The quality control measures undertaken by the Target Group are set out as follows:

Quality control of CRC Training courses

All teaching material and equipment are provided by Heilongjiang Shentong to the CRC Training Course Providers. The teaching material and equipment are standardised across CRC Training courses as required by the CRC Working Committee to ensure the quality of training courses.

The CRC training course curriculum is determined by the CRC Working Committee with inputs from experts on robotics sports and CRC working staff. The CRC training courses are required to be in strict accordance with the course curriculum, which is standardised across CRC Training Course Providers. Pursuant to the agreement between the CRC Training Course Providers and the Heilongjiang Shentong, Heilongjiang provides management services to the training courses and human resources, which helps to maintain and monitor the quality of CRC training courses.

In order to qualify as a CRC training course instructor, the instructor must complete the CRC training courses. The instructor is then required to take the CRC examination. The CRC examination's content is determined by the CRC working committee and is standardised across the CRC Training Course Providers. If the instructor passes the examination, he or she will obtain a teaching certificate and can register to become a CRC training course instructor.

Quality control of CRC events

All CRC events should be in accordance with the China Quality Robotics Sports Generic Competition rules (中國素質體育機器人運動通用競賽規則) as set out by the CRC Working Committee. In order to qualify as a CRC working staff as a referee, adjudicator, timekeeper or scorekeeper, the interested party must complete the CRC training courses. The interested party is then required to take the CRC examination. The CRC examination's content is determined by the CRC working committee and is standardised across the CRC Training Course Providers. If the interested party passes the examination, he or she will obtain a certificate and can participate in the CRC events.

Customer satisfaction survey and evaluation

Through conducting phone interviews and face-to-face communications with the parents of CRC students, the training course consultant aims to find out their expectations and to help parents understand the services offered by the CRC Training Course Providers.

The training course consultant would evaluate the student's progress and find out the students' opinions and satisfaction level about the CRC training courses, the training instructors, teaching material and equipment and the CRC course curriculum. Feedback from students is important information for the Target Group to assess the performance of the training instructors.

Safety and environmental matters

As advised by the PRC Legal Advisers, as at the Latest Practicable Date, the Target Group is not required to obtain approvals for safety and environmental matters. To the best of information and knowledge of the Target Group, there were no specific safety and environmental obligations under law or other voluntarily adopted measures relating to the industry of the Target Group which would incur material annual compliance costs.

Insurance

The Target Group maintains social insurance for some of its employees. For details, please refer to the sub-section headed "Compliance with Laws and Regulations" in this section. The Target Group advises students participating in the competitions to maintain personal injury insurance.

As at the Latest Practicable Date, the Target Group did not experience any major operational problems, such as failure to meet standards, or any accidental bodily injury of the students, nor any business interruptions as a result of fire, power shortages, software or hardware malfunctions, computer virus or other events beyond the Target Group's control. The directors of the Target Group believe that its insurance coverage is in line with the industry norm.

Research and development matters

Due to the nature of the business, the Target Group did not incur any research and development expense during the Track Record Period, and the Target Group's Directors expect that the Target Group will not need to incur any material research and development expense in the foreseeable future.

Intellectual property

As at the Latest Practicable Date, the Target Group did not register any intellectual properties or domain names in the PRC, and was not aware of any infringement by the Target Group of any intellectual property rights owned by third parties.

Properties

The Target Group occupies certain properties in China in connection with its business operations in Heilongjiang.

Overview of property interests

The Target Group does not own any real property and it leases all of its premises which its offices are located. The Target Group's directors believe that the leasing strategy reduces the Target Group's capital investment requirements significantly. Currently, the Target Group does not intend to acquire any real property for its operations. The Target Group's property rentals for its offices premises were approximately HK$2,699,793, HK$2,655,757 and HK$387,339 for the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015.

Leased properties

As at the Latest Practicable Date, the Target Group leased six properties in Heilongjiang Province for its business operations and promotional activities.

Usage of leased properties	Address	Term
Office	7/F of Far East Building, 18 Harbin Hengshan Road, Xiangfang District (哈爾濱市香坊區衡山路18號遠東大廈7層的房屋及8層的b軸、c軸)	1 January 2013 to 31 December 2022
Activities Promotion and Training Site	14/F of Chang Yun Building, 19 Xia Man Street, Daoli District, Harbin City (哈爾濱市道裡區霞曼街19號昌運大廈14層)	1 January 2013 to 31 December 2015
Activities Promotion and Training Site	39 Jiefang South Road, Harbin Bin County, Harbin City (哈爾濱市賓縣濱洲鎮解放南路39號場所)	March 2013 to March 2016
Activities Promotion and Training Site	2–45 Fuli City, East Lake District, Daqing City (大慶市東湖小區富麗城2–45號商服)	30 August 2014 to 30 October 2017
Activities Promotion and Training Site	No. 601, Longnan Northern Market Commercial Service Building, Block 3, Rang Hulu District, Daqing City (大慶市讓胡路區龍南北方市場底層商服公寓樓3號公寓601)	1 June 2015 to 1 June 2016
Activities Promotion and Training Site	No. B9, 20 Commercial Service Building, School Li City, Rang Hulu District, Daqing City (黑龍江大慶市讓胡路區學府鄺城B-9號底層商服公寓樓商服20)	1 June 2015 to 31 May 2016

During the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015, the Target Group failed to register six lease agreements in respect of the properties located in the Heilongjiang Province in accordance with the Commercial Property Leasing Management Regulation (商品房屋租賃管理辦法). For details of the non-compliance incident, please refer to the sub-section headed "Compliance with Laws and Regulations" in this section.

Legal proceedings

As at the Latest Practicable Date, to the best information and knowledge of the Target Group, no member of the Target Group was engaged in any litigation or arbitration of material important and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Target Group.

Licenses and permits

The Target Group requires certain licenses in relation to its business operation in the PRC. For details, please refer to the sub-section headed "Laws and Regulations relating to the Business of the Target Group" in this section.

Save as disclosed in the sub-section headed "Compliance with Laws and Regulations" in this section, the operations of the Target Group is in compliance with the relevant PRC laws and regulations and are not required to obtain other permits, licenses, or certificates for their current operations.

Awards

In Recognition of the Target Group's economic contribution to the community, the Target Group received the honour of "Tax Advance Company" (納稅先進單位) from the Harbin Xiangfang District Government (哈爾濱香坊區人民政府) for the year 2014 on 15 February 2015.

Directors and senior management of the Target Group

Directors

Target Company, CCI HK and Global Luck

Ms. WANG Dongxiao (王東曉), aged 29, is the sole director of the Target Company, CCI HK, Global Luck. She is also a director of Profuse Year and CCI. She is responsible for the company secretarial matters and corporate administration for the Target Company, CCI HK and Global Luck. Ms. Wang was appointed to be a director of the Target Company, CCI HK and Global Luck on 26 March 2015, 4 April 2013 and 29 April 2015 respectively. Ms. Wang obtained a master's degree from the University of Nottingham of the United Kingdom in December 2009 with speciality in finance and investment, and has extensive experience in corporate management.

Heilongjiang Shentong

Mr. TENG Zhaoyong (騰兆勇), aged 37, is an executive director (執行董事) of Heilongjiang Shentong. Pursuant to the Articles of Association of Heilongjiang Shentong, Heilongjiang Shentong does not have a board of directors (董事會) and has one executive director (執行董事). He is responsible for the strategic planning, business development and corporate management of Heilongjiang Shentong. Mr. Teng was appointed as a director of Heilongjiang Shentong on 29 January 2013. Mr. Teng obtained a Diploma degree with a specialty in Tourism from Heilongjiang University (黑龍江大學) in July 1995 and has extensive experience in the management and operation of telecommunication industry in the PRC. Mr. Teng was awarded by the Heilongjiang Province Sport Player Protection Centre (黑龍江省運動員人事保障中心) as an excellent advance individual (優秀先進個人) in 2014. From July 1998 to February 1999, Mr. Teng was previously the manager of the Xi'an division of Heilongjiang Construction Development Enterprise Company (黑龍江省建設開發實業總公司安西辦事處). From March 1999 to September 2004, Mr. Teng was the business development manager of Heilongjiang Telecommunication Company (黑龍江省網通公司). From January 2011 to January 2013, Mr. Teng was the deputy general manager at China Communication Heilongjiang.

Daqing Shentong

Ms. SUN Zhiling (孫智玲), aged 37, is the sole executive director (執行董事) of Daqing Shentong. She is responsible for the overall management and operation of Daqing Shentong. Ms. Sun joined Heilongjiang Shentong in January 2013 and was appointed as a director of Daqing Shentong on 18 July 2014. Ms. Sun obtained a Diploma degree with a specialty in computing accountancy from Harbin University of Science and Technology (哈爾濱理工大學) in June 1999 and has extensive experience in the accounting and finance of telecommunication industry of the PRC. From January 2009 to January 2013, Ms. Sun was the deputy general manager of China Communication Heilongjiang. From July 2013 to July 2014, Ms. Sun was the financial manager of Heilongjiang Shentong.

Senior Management

Heilongjiang Shentong

Ms. SUN Zhiling (孫智玲) is also the general manager of Heilongjiang Shentong. She is responsible for the overall management and operation of Heilongjiang Shentong. Ms. Sun was appointed as a general manager of Heilongjiang Shentong on 15 March 2015.

Daqing Shentong

Mr. GU Qiang (顧強), aged 43, is the general manager (總經理) of Daqing Shentong. He is responsible for the overall business of Daqing Shentong. He was the supervisor (監事) of Daqing Shentong from June 2011 to July 2014. He was appointed as the general manager (總經理) of Daqing Shentong on 1 June 2014. Mr. Gu obtained a bachelor's degree with specialty in Chinese from Daqing Teacher College (大慶師範學院) in June 2013 and has extensive experience in the education in the PRC. From August 2006 to June 2014, Mr. Gu was a teacher at Daqing Youth Activity Centre (大慶市青少年活動中心). From May 1995 to August 2006, Mr. Gu was a teacher at the Daqing No. 1 Middle School (大慶市第一中學).

Ms. ZHAO Xin (趙新), aged 26, is the deputy manager of the administration department (行政部副經理) of Daqing Shentong. She is responsible for the administration and management of the operations of Daqing Shentong. She was the administration manager (行政經理) of Daqing Shentong from July 2011 to May 2014. She was appointed as the deputy manager of the administration department (行政部副經理) of Daqing Shentong on 1 June 2014. Ms. Zhao obtained a bachelor's degree with specialty in computer science and technology from Daqing Teacher College (大慶師範學院) in June 2012 and has extensive experience in education in the PRC.

Supervisors

Heilongjiang Shentong

Ms. WANG Xue (王雪) is the supervisor (監事) of Heilongjiang Shentong. She is responsible for the operation of Heilongjiang Shentong. She was appointed as the supervisor on 29 January 2013. Ms. Wang obtained a bachelor's degree with specialty in accounting science and technology from Harbin Industrial University in July 2005 and has extensive experience in the telecommunication industry in the PRC. From June 2011 to November 2014, Ms. Wang was the billing manager at China Communication Heilongjiang.

Daqing Shentong

Mr. JIN Qinglin (金青林), aged 42, is the operations deputy general manager (運營副總經理) and the supervisor (監事) of Daqing Shentong. He is responsible for the sales and marketing, organisation and development of events and competitions by Daqing Shentong. He was the executive director (執行董事) of Daqing Shentong from June 2011 to July 2014. He was appointed as the operations deputy general manager (運營副總經理) and supervisor (監事) of Daqing Shentong on 1 June 2014 and 18 July 2014 respectively. Mr. Jin obtained a Diploma degree with a specialty in art education from Harbin Teacher College (哈爾濱師範學院) in July 1997 and has extensive experience in education and management of educational institutions in the PRC. From July 2000 to July 2011, he was the information technology director of Daqing East Lake Two Primary School (大慶市東湖二小).

Employees of the Target Group

The Target Group had 60 employees as at the Latest Practicable Date.

The following table sets out the total number of the Target Group's employees by function as of the Latest Practicable Date:

Job function	Heilongjiang Shentong	Daqing Shentong	Total
Human Resources	4	2	6
Marketing	6	4	10
Administration	6	—	6
Technical Support	5	—	5
General Manager	—	1	1
Business Operations	11	2	13
Finance & Accounting	4	2	6
Events	9	—	9
Education	—	4	4
Total	45	15	60

Compliance with laws and regulations

During the years ended 31 March 2014 and 2015 and as at the Latest Practicable Date, the Target Group has been involved in the following non-compliance matters:

Non-compliance with relevant regulations relating to housing provident fund

As at the Latest Practicable Date, the Target Group has not made contributions to the housing provident fund for all employees in accordance with the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) and Measures Concerning the Administration of Payment of Housing Provident Fund in Harbin (哈爾濱住房公積金繳存管理辦法). For the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, the unpaid contribution of housing provident fund amounted to approximately HK$98,007, HK$307,774 and HK$93,334 respectively. The PRC Legal Advisers have advised the Target Group that the failure to make contribution to the housing provident fund will not affect the validity and the enforceability of the Acquisition. The Target Group failed to make contribution to the housing provident fund for eight employees, as the transfer of accounts procedure for these employees have not been carried out by their previous employers.

However, the housing provident fund management centre possesses the discretion right to notify the non-complying unit to establish a housing provident fund account for each employee and/or to make contributions towards the housing provident fund within a specific time limit. Should the unit fail to establish housing provident fund account for its employees and/or to contribute towards housing provident fund within that specified time limit, the management centre of housing provident fund may impose fines ranging from RMB10,000 to RMB50,000 and may apply to the People's Court to enforce the payment of any housing provident fund under the relevant PRC laws and regulations.

As at the Latest Practicable Date, the Target Group has not received any notification or directive from the relevant authority for housing provident fund contribution and, there is no penalty imposed on Target Group for failure to make punctual and full housing provident fund contributions; there is also no claim made by the employees of Target Group in respect of the non-contribution towards the housing provident fund.

The Target Group has taken proactive steps to make contributions towards the housing provident fund for all employees, and full contribution has been made in November 2015. In addition, the Vendor has agreed to fully indemnify the Company if the Target Group is required to pay such fine or incurs any liabilities or losses as a result of the non-compliance relating to housing provident fund. Based on the foregoing, the directors of the Target Group are of the view that, such non-compliance would not have any material impact on its business operation and financial position. Accordingly, no provision was made in the Target Group's financial statement.

Non-compliance with relevant regulations relating to social insurance fund

As at the Latest Practicable Date, the Target Group has not made contributions to the social insurance fund for all employees in accordance with the Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) and the Social Insurance Law of the PRC (中華人民共和國社會保險法). As of the Latest Practicable Date, the unpaid contribution to social insurance fund amounted to HK$41,140. For the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, the unpaid contribution of social insurance fund amounted to approximately HK$14,483, HK$38,280 and HK$45,894 respectively. The PRC Legal Advisers have advised that the failure to make contribution to the social insurance fund will not affect the validity and the enforceability of the Acquisition. The Target Group failed to make contribution to the social insurance fund due to non-compliance with business operation procedure.

However, since 1 July 2011, the relevant social insurance authority may order the employer to pay the outstanding social insurance (including pension, medical, work injury, unemployment and maternity insurance), and impose a late charge of 0.05% of the outstanding social insurance contributions per day as from the due date on which the social insurance contributions should have been made until the date when such outstanding social insurance contribution is made to the relevant authority in full. In addition, the relevant authority may also impose a fine ranging from one to three times of the outstanding insurance.

As at the Latest Practicable Date, the Target Group has not received any notification or directive from the relevant authority for social insurance fund contribution and, there is no penalty imposed on Target Group for failure to make punctual and full social insurance fund contributions; there is also no claim made by the employees of Target Group in respect of the non-contribution towards the social insurance fund.

The Target Group has taken proactive steps to make contributions towards the social insurance fund for all employees, and full contribution has been made in November 2015. In addition, the Vendor has agreed to fully indemnify the Company if the Target Group is required to pay such fine or incurs any liabilities or losses as a result of the non-compliance relating to social insurance fund. Based on the foregoing, the directors of the Target Group are of the view that such non-compliance would not have any material impact on its business operation and financial position. Accordingly no provision was made in the Target Group's financial statement.

Lack of lease registration

During the years ended 31 March 2014, 2015 and the three months ended 30 June 2015, the Target Group failed to register six lease agreements in respect of the properties located in the Heilongjiang Province in accordance with the Commercial Property Leasing Management Regulation (商品房屋租賃管理辦法). The PRC Legal Advisers have advised the Target Group that the lack of registration will not affect the validity and enforceability of these lease agreements.

However, the relevant government authorities may require the Target Group to rectify the non-compliance within a period of time and, if the Target Group fail to so rectify, the government authorities may impose a fine of up to RMB50,000 for each unregistered lease agreement.

As of the Latest Practicable Date, the Target Group has not received any rectification order or been subject to any fine in respect of non-registration of lease agreements.

As of the Latest Practicable Date, the Target Group has successfully registered four out of the six lease agreements and is in the process of applying for registration of the remaining two lease agreements (one of which is expiring on 31 December 2015 and is expected to be renewed). It is expected that the remaining two lease agreements will be registered in January 2016. In addition, the Vendor has agreed to fully indemnify the Company if the Target Group is required to pay such fine or incurs any liabilities or losses as a result of its failure to register the leases. Based on the foregoing, the directors of the Target Group are of the view that, such non-compliance would not have any material impact on its business operation and financial position. Accordingly, no provision was made in the Target Group's financial statements.

Save as disclosed above, as at the Latest Practicable Date, the Target Group has complied with the applicable PRC laws and regulations in all material respects during the Track Record Period and had obtained permits, licences, qualifications, authorisations and approvals material to its business operations.

Financial information of the Target Group

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

The net profit before and after taxation and the audited 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)*
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 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

As of 30 June 2015, the amounts due from CCC are unsecured, interest-free and have no fixed term of repayment. Up to 30 November 2015, the amount remained outstanding was RMB378,449. The amounts due from CCC represent amounts owed by CCC to the Target Group.

With effect from 1 October 2015, pursuant to the Heilongjiang Shentong CRC Shentong Card Payment System Contract, CCC shall pay to Heilongjiang Shentong RMB4.5 million as clearing security deposit (結算保證金). CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven calendar days after the end of the relevant month and CCC shall pay to Heilongjiang Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

With effect from 1 October 2015, pursuant to the Daqing Shentong CRC Shentong Card Payment System Contract, CCC shall pay to Daqing Shentong RMB0.5 million as clearing security deposit (結算保證金). CCC and Daqing Shentong shall undergo settlement reconciliation within seven calendar days after the end of the relevant month and CCC shall pay to Daqing Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

As of 30 June 2015, the amounts due from/to fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment.

The Directors consider the terms of repayment for the amounts due from/to fellow subsidiaries to be fair and reasonable, and in the interest of the Company and its Shareholders, taking into account that (i) the amounts due from fellow subsidiaries are relatively low; and (ii) the amounts due to fellow subsidiaries without a fixed term of repayment provides flexibility and commercial benefits to the Enlarged Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below are the management discussion and analysis of financial conditions and operating results of the Target Group for the period from 29 January 2013 to 31 March 2013, the financial years ended 31 March 2014 and 2015 and the three months ended 30 June 2015, respectively. The following discussion and analysis is based on the financial information of the Target Group set out in, and should be read in conjunction with, the Accountants' Report of the Target Group for each of the financial years and the notes thereto as referred to in Appendix II to this circular.

For the period from 29 January 2013 to 31 March 2013

Revenue

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

	Period from 29 January 2013 to 31 March 2013
	HK$
Training course*	3,260,720
Competition admission fee*	107,069
Competition sponsorship	—
Sales of course materials	—
Management fee income	—
Rental income of training equipment	—
Sub-total	**3,367,789**
Less: Sales tax	(117,563)
Total	**3,250,226**

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

Training course

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 regarding different kind of robots. Major courses include underwater vehicles and integrated (integrated of aerial vehicles, self-balanced vehicles and underwater vehicles).

Revenue for the relevant period was mainly generated from the integrated courses.

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.

Cost of sales

The cost of sales for the relevant period was mainly comprised of server hosting service fee paid to CCC and website maintenance service fee paid to China Communication Heilongjiang.

Gross loss

As the business of the Target Group was still in infant stage during the relevant period, the revenue generated was relatively low and thus gross loss was incurred.

Other income

Other income represented interest income on bank deposits.

Selling and distribution expenses

Selling and distribution expenses represented staff costs.

Administrative expenses

Administrative expenses mainly represented operating lease charges for office buildings.

Income tax credit

PRC enterprise income tax has been provided at a rate of 25% for the period ended 31 March 2013. No provision for Hong Kong profits tax is required since the Target Group has no assessable profits in Hong Kong for the period ended 31 March 2013.

Income tax credit was provided for the relevant period on tax losses incurred during that period which has been subsequently utilized during the year ended 31 March 2014.

Loss for the period

As the business of the Target Group was still in infant stage during the relevant period, the revenue generated was relatively low and thus loss for the period was incurred.

Non-current asset

As at 31 March 2013, the non-current asset was deferred tax asset recognized for future benefit of tax losses.

Current assets

As at 31 March 2013, the total current assets were HK$9.2 million, which mainly comprised:

(a) amount due from ultimate parent, namely CCC, of HK$7.8 million, which is unsecured, interest-free and have no fixed terms of repayment. The balance was primarily represented proceeds receivable regarding training courses and competition admission fee which were settled via Shentong Card payment system of CCC and which there was ongoing repayment from CCC; and

(b) Bank and cash balances of HK$1.4 million which was denominated in RMB.

Current liabilities

As at 31 March 2013, the total current liabilities were HK$9.8 million, which mainly comprised:

(a) training course obligation of HK$7.4 million, being receipt in advance of training course fee; and

(b) amounts due to fellow subsidiaries of HK$1.9 million, being amounts primarily arising from website maintenance fee, and which are unsecured, interest-free and have no fixed terms of repayment.

Liquidity and financial resources

As of 31 March 2013, the Target Group's net liabilities amounted to approximately HK$0.1 million and net current liabilities of approximately HK$0.6 million. As of 31 March 2013, the current ratio, representing current assets divided by current liabilities, was 0.9.

The Target Group has funded the liquidity and capital requirements primarily through internal resources.

Cash flows

Operating activities

The Target Group had net cash generated from operating activities of HK$0.2 million for the relevant period, which mainly comprised of cash outflow on loss before tax of HK$1.8 million, cash outflow on increase in amount due from ultimate parent of HK$7.8 million, cash inflow on increase in training course obligation of HK$7.4 million and cash inflow on increase in amounts due to fellow subsidiaries of HK$1.9 million.

Investing activities

The Target Group had net cash generated from investing activities of approximately HK$1,000 for the relevant period, which represented cash inflow on bank interest received.

Financing activities

The Target Group had net cash generated from financing activities of HK$1.2 million for the relevant period, which represented cash inflow on issue of share.

Foreign currency exposure

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

Details of charges on the assets of the Target Group

The Target Group had no charge or pledge of assets as at 31 March 2013.

Details of significant investments, material acquisitions and disposals of subsidiaries and associated companies

The Target Group had no significant investments, material acquisitions and disposals of subsidiaries and associated companies for the relevant period.

Subsequent to the relevant period, on 23 April 2015, the entire equity interest in Heilongjiang Shentong was acquired by Global Luck.

Gearing ratio

As at 31 March 2013, the gearing ratio of the Target Group, expressed as a percentage of total liabilities to total assets, was 101%.

Capital structure

The Target Group mainly finances its operation with internally resources.

The amounts due from/to ultimate parent, fellow subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

The Target Group did not have any outstanding bank and other loans as at 31 March 2013.

Contingent liabilities

As at 31 March 2013, the Target Group had no material contingent liabilities.

Operating lease commitments

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

As at 31 March 2013, the Target Group had total future minimum lease payments under non-cancellable operating leases due within one year of approximately HK$302,000.

Employees and remuneration

The Target Group had 5 employees as at 31 March 2013. During the period from 29 January 2013 to 31 March 2013, total employee benefits expense which including salaries, bonuses and allowances and retirement benefit scheme contributions was HK$35,815.

The Target Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions.

For the year ended 31 March 2015 compared with the year ended 31 March 2014

Revenue

Revenue increased by HK$34.5 million, or 82.0%, from HK$42.1 million for the year ended 31 March 2014 to HK$76.6 million for the year ended 31 March 2015.

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	
	2014	**2015**
	HK$	*HK$*
Training courses*	34,207,136	65,845,040
Competition admission fee*	3,481,963	841,486
Competition sponsorship	3,531,786	11,510,071
Sales of course materials	1,392,809	352,060
Management fee income	1,135,217	1,313,649
Rental income of training equipment	—	37,107
Sub-total	**43,748,911**	**79,899,413**
Less: Sales tax	(1,674,295)	(3,309,230)
Total	**42,074,616**	**76,590,183**

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

Training course

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 regarding different kind 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).

Revenue from the provision of training courses increased by HK$31.6 million, or 92.5%, from HK$34.2 million for the year ended 31 March 2014 to HK$65.8 million for the year ended 31 March 2015. Such increase was mainly due to the increase in revenue generated from the integrated courses.

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.

Revenue from the provision of competition admission fee decreased by HK$2.7 million, or 75.8%, from HK$3.5 million for the year ended 31 March 2014 to HK$0.8 million for the year ended 31 March 2015. Such decrease was mainly due to the scale of competition was relatively smaller for the year ended 31 March 2015.

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.

Revenue from competition sponsorship increased by HK$8.0 million, or 225.9%, from HK$3.5 million for the year ended 31 March 2014 to HK$11.5 million for the year ended 31 March 2015. Such increase was mainly due to the increase in annual sponsorship fee charging amount.

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.

Revenue from the sales of course materials decreased by HK$1.0 million, or 74.7%, from HK$1.4 million for the year ended 31 March 2014 to HK$0.4 million for the year ended 31 March 2015. Such decrease was mainly due to the decrease in quantity sold.

Management fee income

Co-operated training centres co-operating with the Target Group pay an annual subscription (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.

Revenue from management fee income increased by HK$0.2 million, or 15.7%, from HK$1.1 million for the year ended 31 March 2014 to HK$1.3 million for the year ended 31 March 2015. Such increase was mainly due to the increase in the number of co-operated training centres from 18 as of 31 March 2014 to 23 as of 31 March 2015.

Rental income of training equipment

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

Revenue from rental income of training equipment amounted to HK$37,107 for the year ended 31 March 2015 (2014: Nil).

Cost of sales

Cost of sales increased by HK$9.9 million, or 34.9%, from HK$28.4 million for the year ended 31 March 2014 to HK$38.3 million for the year ended 31 March 2015. Such increase was primarily due to the increase in advertising service fee.

Gross profit

The gross profit margin increased from 32.6% for the year ended 31 March 2014 to 50.0% for the year ended 31 March 2015. Such increase was mainly due to the sever hosting service fee and website maintenance fee which are the major component in the cost of sale remained relatively stable in concerning period.

Other income

Other income of the Target Group increased by less than HK$0.1 million, or 4.4%, from HK$1.2 million for the year ended 31 March 2014 to HK$1.2 million for the year ended 31 March 2015. Such increase was mainly due to the combined effect of increase in net conference service income and decrease in gain on disposal of financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses increased by HK$1.7 million, or 247.7%, from HK$0.7 million for the year ended 31 March 2014 to HK$2.4 million for the year ended 31 March 2015. Such increase was primarily due to the increase in training courses and competitions advertising expenses.

Administrative expenses

Administrative expenses increased by HK$1.5 million, or 59.3%, from HK$2.6 million for the year ended 31 March 2014 to HK$4.1 million for the year ended 31 March 2015. Such increase was primarily due to: the increase in staff cost and other office expenses which was mainly due to the increase of operation scale.

Income tax expenses

Income tax expenses increased by HK$5.7 million, or 195.0%, from HK$3.0 million for the year ended 31 March 2014 to HK$8.7 million for the year ended 31 March 2015. Such increase was primarily due to the increase in profit before tax.

PRC enterprise income tax has been provided at a rate of 25% for the years ended 31 March 2015 and 2014. No provision for Hong Kong profits tax is required since the Target Group has no assessable profits in Hong Kong for the years ended 31 March 2015 and 2014.

Profit for the year

As a result of the foregoing, the profit for the year attributable to owners of the Target Company increased by HK$15.6 million, or 180.4%, from HK$8.7 million for the year ended 31 March 2014 to HK$24.3 million for the year ended 31 March 2015. The net profit margin increased from 20.6% for the year ended 31 March 2014 to 31.8% for the year ended 31 March 2015.

Non-current assets

As at 31 March 2015, total non-current assets was HK$12.3 million (2014: HK$1.5 million), which comprised property, plant and equipment of HK$10.2 million (2014: HK$1.5 million) and goodwill of HK$2.1 million (2014: Nil).

The increase in carrying amount of property, plant and equipment was primarily attributable to the additions of training equipment.

The goodwill relates to the acquisition of the entire equity interest of Daqing Shentong, and the goodwill arising on the acquisition of Daqing Shentong is attributable to the anticipated profitability of expanding the Target Group's service in the new locations and the anticipated future operating synergies from the combination.

Current assets

As at 31 March 2015, total current assets was HK$107.7 million (2014: HK$73.8 million), which mainly comprised:

(a) loan to ultimate parent of HK$28.8 million (2014: Nil), being a loan of RMB23 million advanced by the Target Group to its ultimate parent, CCC, which is unsecured, interest bearing at 5.6% p.a. and repayable on 31 August 2015 and which was repaid by CCC on 29 September 2015;

(b) amount due from ultimate parent, namely CCC, of HK$64.6 million (2014: HK$45.0 million), which is unsecured, interest-free and have no fixed terms of repayment. The balance was primarily represented proceeds receivable regarding training courses and competition admission fee which were settled via CRC Shentong Card payment system of CCC and which there was ongoing repayment from CCC;

(c) prepayment and other receivables of HK$6.6 million (2014: HK$0.1 million), which was primarily represented prepayment for purchase of training equipments; and

(d) financial assets at fair value through profit or loss, of HK$Nil (2014: HK$25.4 million) which was primarily represented investments in wealth management product with annualised interest rate ranged from 3–5.1% p.a. and terms of 14 days to 6 months which has been fully settled during the year ended 31 March 2015. There was gain on disposal of financial assets at fair value through profit or loss of approximately HK$0.3 million (2014: HK$1.1 million).

Current liabilities

As at 31 March 2015, total current liabilities was HK$84.7 million (2014: HK$66.8 million), which mainly comprised:

(a) receipt in advance of HK$22.0 million (2014: HK$27.5 million), being an amount of RMB17,500,000 related to sponsorship income was advanced from Taihua Weiye Technology Co., Ltd. (泰華偉業科技有限責任公司), a company that a fellow subsidiary of the Target Group, which Beijing Shentong had 8% equity interest therein during the period from 17 April 2013 to 13 January 2015;

(b) training course obligation of HK$15.3 million (2014: HK$19.3 million), being receipt in advance of training course fee;

(c) amounts due to fellow subsidiaries of HK$35.1 million (2014: HK$13.8 million), being amounts primarily arising from website maintenance fee and advertising service fee payable, and which are unsecured, interest free and have no fixed terms of repayment.

Liquidity and financial resources

As of 31 March 2015, the Target Group's net assets amounted to approximately HK$33.8 million (2014: HK$8.5 million) and net current assets of approximately HK$23.0 million (2014: HK$7.0 million). As of 31 March 2015, the current ratio, representing current assets divided by current liabilities, was 1.3 (2014: 1.1).

The Target Group has funded the liquidity and capital requirements primarily through internal resources.

Cash flows

Operating activities

The Target Group had net cash generated from operating activities of HK$38.8 million for the year ended 31 March 2015, compared with HK$2.5 million for the year ended 31 March 2014. Such increase was primarily due to the increase in cashflow from financial assets at fair value through profit or loss.

Investing activities

The Target Group had net cash used in investing activities of HK$37.2 million for the year ended 31 March 2015, compared with HK$1.7 million for the year ended 31 March 2014. Such increase was primarily due to increase in cashflow used for loan to CCC and purchases of property, plant and equipment.

Foreign currency exposure

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

Details of charges on the assets of the Target Group

The Target Group had no charge or pledge of assets as at 31 March 2014 and 2015.

Details of significant investments, material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 March 2015, the Target Group acquired Daqing Shentong. On 10 April 2014, Heilongjiang Shentong entered into an agreement with Mr. GU Qiang (顧強) and Mr. JIN Qinglin (金青林), each an independent third party, (as supplemented by a supplemental agreement dated 16 June 2014) to acquire the entire equity interest in Daqing Shentong at an aggregate consideration of RMB2,750,000 in cash, of which RMB1,480,000 was settled between 10 June 2014 and 6 August 2015 and the remaining amount of

RMB1,270,000 will be settled on or before 31 May 2016. The aforesaid transfer was completed on, and Daqing Shentong has been a wholly-owned subsidiary of Heilongjiang Shentong since 1 June 2014.

At the end of the reporting period, the Target Group has investments in wealth management product of approximately HK$Nil (2014: HK$25.4 million) which was bear annualised interest rate ranged from 3–5.1% p.a. and with terms of 14 days to 6 months. Those investments has been fully settled during the year ended 31 March 2015. There was gain on disposal of financial assets at fair value through profit or loss of approximately HK$0.3 million (2014: HK$1.1 million).

Save as disclosed above, the Target Group had no significant investments, material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 March 2015 and 2014.

Subsequent to the years ended 31 March 2014 and 2015, on 23 April 2015, the entire equity interest in Heilongjiang Shentong was acquired by Global Luck.

Gearing ratio

As at 31 March 2015, the gearing ratio of the Target Group, expressed as a percentage of total liabilities to total assets), was 72% (2014: 89%).

Capital structure

The Target Group mainly finances its operation with internally resources.

The amounts due from/to ultimate parent, fellow subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

The Target Group did not have any outstanding bank and other loans as at 31 March 2015 (2014: Nil).

Save as the above, the capital structure of the Target Group had no material change.

Contingent liabilities

As at 31 March 2015, the Target Group had no material contingent liabilities.

Operating lease commitments

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

As at the end of each reporting period, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of 31 March	
	2014	**2015**
	HK$	*HK$*
Within one year	305,522	350,650
In the second to fifth years inclusive	—	105,013
Total	**305,522**	**455,663**

Capital commitments

Capital commitments increased by HK$0.4 million, from HK$Nil for the year ended 31 March 2014 to HK$0.4 million for the year ended 31 March 2015. Such increase was primarily due to a contract signed for purchase of training equipments.

Employees and remuneration

The Target Group had 60 employees as at the Latest Practicable Date (31 March 2015: 65).

The Target Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions.

Employee benefits expenses

Employee benefits expenses increased by HK$1.8 million, or 249.0%, from HK$0.7 million for the year ended 31 March 2014 to HK$2.5 million for the year ended 31 March 2015. Such increase was primarily due to increase in number of employee.

The following table sets out a breakdown of employee benefits expenses for the respective periods indicated:

	For the year ended 31 March	
	2014	**2015**
	HK$	*HK$*
Salaries, bonuses and allowances	631,068	2,274,736
Retirement benefit scheme contributions	94,646	258,241
Total	725,714	2,532,977

Retirement benefit schemes

The employees of the Target Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

For the three months ended 30 June 2015 compared with the three months ended 30 June 2014

Revenue

Revenue decreased by HK$6.4 million, or 33.1%, from HK$19.2 million for the three months ended 30 June 2014 to HK$12.8 million for the three months ended 30 June 2015.

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 three months ended 30 June	
	2014	2015
	HK$	*HK$*
	(unaudited)	
Training courses*	17,120,925	12,674,989
Competition admission fee*	302,302	367,974
Competition sponsorship	2,240,199	—
Sales of course materials	37,430	—
Management fee income	248,911	249,813
Rental income of training equipment	—	282,733
Sub-total	19,949,767	13,575,509
Less: Sales tax	(761,832)	(747,286)
Total	19,187,935	12,828,223

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

Training course

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 regarding different kind 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).

Revenue from the provision of training courses decreased by HK$4.4 million, or 26.0%, from HK$17.1 million for the three months ended 30 June 2014 to HK$12.7 million for the three months ended 30 June 2015. Such decrease was mainly due to the Target Group's strategic change on training courses to focus on the development of aerial vehicles and self-balanced vehicles courses. During the current period under review, the aforementioned courses were still at the infant stage; therefore the revenue generated from these courses was relatively lower than other courses. As fewer marketing and development resources were devoted to the other courses, the revenue generated from other courses also declined.

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.

Revenue from the competition admission fee increased by HK$65,672, or 21.7%, from HK$0.3 million for the three months ended 30 June 2014 to HK$0.4 million for the three months ended 30 June 2015. Such increase was mainly due to the increase in competition participants.

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.

Revenue from competition sponsorship decreased by HK$2.2 million, from HK$2.2 million for the three months ended 30 June 2014 to HK$Nil for the three months ended 30 June 2015. Such decrease was mainly due to the expiration of sponsorship agreement and no new agreement has been entered into for the three months ended 30 June 2015.

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.

Revenue from the sales of course materials decreased by HK$37,430, from HK$37,430 for the three months ended 30 June 2014 to HK$Nil for the three months ended 30 June 2015. Revenue from the sales of course materials is not the main business focus of the Target Group and no sales was made for the three months ended 30 June 2015. The management of the Target Group believes that the sale of course materials in 2014 was a one-off transaction, and does not expect any significant revenue to be generated from this segment going forward.

Management fee income

Co-operated training centres co-operating with the Target Group pay an annual subscription (currently at RMB50,000 per year) to the Target Group. The number of co-operated training centres has increased from 21 in 30 June 2014 to 23 in 30 June 2015.

Revenue from management fee income increased by HK$902, or 0.36%, from HK$248,911 for the three months ended 30 June 2014 to HK$249,813 for the three months ended 30 June 2015. There was no material change for the three months ended 30 June 2014 to 2015.

Rental income of training equipment

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

Revenue from rental income of training equipment amounted to HK$282,733 for the three months ended 30 June 2015 (For the three months ended 30 June 2014: Nil).

Cost of sales

Cost of sales decreased by HK$1.3 million, or 14.6%, from HK$8.80 million for the year ended three months ended 30 June 2014 to HK$7.5 million for the three months ended 30 June 2015. Such decrease was primarily due to the decrease in advertising fees of newspapers and other advertising materials.

Gross profit

The gross profit margin decreased by HK$5.1 million, or 48.9%, from HK$10.4 million for the three months ended 30 June 2014 to HK$5.3 million for the three months ended 30 June 2015. Such decrease was mainly due to the decrease in revenue.

Other income

Other income of the Target Group increased by HK$202,766, or 64.4%, from HK$314,638 for the three months ended 30 June 2014 to HK$517,404 for the three months ended 30 June 2015. Such increase was mainly due to the increase in interest income from loan to CCC.

Selling and distribution expenses

Selling and distribution expenses increased by HK$168,720, or 70.0%, from HK$240,899 for the three months ended 30 June 2014 to HK$409,619 for the three months ended 30 June 2015. Such increase was primarily due to the increase in staff cost as more employees were employed.

Administrative expenses

Administrative expenses increased by HK$0.4 million, or 57.5%, from HK$0.7 million for the three months ended 30 June 2014 to HK$1.1 million for the three months ended 30 June 2015. Such increase was primarily due to the increase in staff cost.

Income tax expenses

Income tax expenses decreased by HK$1.3 million, or 53.8%, from HK$2.5 million for the three months ended 30 June 2014 to HK$1.2 million for the three months ended 30 June 2015. Such decrease was primarily due to the decrease in profit before tax.

PRC enterprise income tax has been provided at a rate of 25% for the three months ended 30 June 2015 and 2014. No provision for Hong Kong profits tax is required since the Target Group has no assessable profits in Hong Kong for three months ended 30 June 2015 and 2014.

Profit for the year

As a result of the foregoing, the profit for the year attributable to owners of the Target Company decreased by HK$4.1 million, or 56.2%, from HK$7.3 million for the three months ended 30 June 2014 to HK$3.2 million for the three months ended 30 June 2015. The net profit margin decreased from 37.9% for the three months ended 30 June 2014 to 24.8% for the three months ended 30 June 2015.

Non-current assets

As at 30 June 2015, total non-current assets was HK$11.6 million (31 March 2015: HK$12.3 million), which comprised property, plant and equipment of HK$9.4 million (31 March 2015: HK$10.2 million) and goodwill of HK$2.1 million (31 March 2015: HK$2.1 million).

The decrease in carrying amount of property, plant and equipment was primarily attributable to the depreciation charged during the period.

The goodwill relates to the acquisition of the entire equity interest of Daqing Shentong, and the goodwill arising on the acquisition of Daqing Shentong is attributable to the anticipated profitability of expanding the Target Group's service in the new locations and the anticipated future operating synergies from the combination.

Current assets

As at 30 June 2015, total current assets was HK$106 million (31 March 2015: HK$108 million), which mainly comprised:

(a) loan to ultimate parent of HK$28.7 million (31 March 2015: HK$28.7 million), being a loan of RMB23 million advanced by the Target Group to its ultimate parent, CCC, which is unsecured, interest bearing at 5.6% p.a. and repayable on 31 August 2015 and which was repaid by CCC on 29 September 2015;

(b) amount due from ultimate parent, namely CCC, of HK$70.7 million (31 March 2015: HK$64.6 million), which is unsecured, interest-free and have no fixed terms of repayment. The balance was primarily represented proceeds receivable regarding training courses and competition admission fee which were settled via CRC Shentong Card payment system of CCC and which there was ongoing repayment from CCC;

(c) prepayment and other receivables of HK$2.2 million (31 March 2015: HK$6.6 million), which was primarily represented prepayment for purchase of training equipment and conference service income receivable.

Current liabilities

As at 30 June 2015, total current liabilities was HK$82.1 million (31 March 2015: HK$84.7 million), which mainly comprised:

(a) receipt in advance of HK$22.0 million (31 March 2015: HK$22.0 million), being an amount of RMB17,500,000 related to sponsorship income was advanced from Taihua Weiye Technology Co., Ltd. (泰華偉業科技有限責任公司), a company that a fellow subsidiary of the Target Group, which Beijing Shentong had 8% equity interest therein during the period from 17 April 2013 to 13 January 2015;

(b) training course obligation of HK$12.5 million (31 March 2015: HK$15.3 million), being receipt in advance of training course fee;

(c) amounts due to fellow subsidiaries of HK$32.5 million (31 March 2015: HK$35.1 million), being amounts primarily arising from website maintenance fee and advertising service fee payable, and which are unsecured, interest free and have no fixed terms of repayment.

Liquidity and financial resources

As of 30 June 2015, the Target Group's net assets amounted to approximately HK$35.9 million (31 March 2015: HK$33.8 million) and net current assets of approximately HK$24.3 million (31 March 2015: HK$23.0 million). As of 30 June 2015, the current ratio, representing current assets divided by current liabilities, was 1.3 (31 March 2015: 1.3).

The Target Group has funded the liquidity and capital requirements primarily through internal resources.

Cash flows

Operating activities

The Target Group had net cash used in operating activities of HK$1.8 million for the three months ended 30 June 2015, compared with HK$22.5 million of net cash generated from operating activities for the three months ended 30 June 2014. Such decrease was primarily due to the decrease in cashflow from financial assets at fair value through profit or loss.

Investing activities

The Target Group had net cash used in investing activities of HK$5,848 for the three months ended 30 June 2015, compared with HK$0.6 million of net cash generated from investing activities for the three months ended 30 June 2014. Such decrease was primarily due to the decrease in cashflow from transfer of property, plant and equipment.

Financing activities

The Target Group had net cash used in financing activities of HK$1 million for the three months ended 30 June 2015, compare with Nil for the three months ended 30 June 2014. Such decrease was primarily due to payment to Beijing Shentong in relation to Reorganisation.

Foreign currency exposure

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

Details of charges on the assets of the Target Group

The Target Group had no charge or pledge of assets as at 30 June 2015 and 31 March 2015.

Details of significant investments, material acquisitions and disposals of subsidiaries and associated companies

The Target Group had no significant investments, material acquisitions and disposals of subsidiaries and associated companies for the three months ended 30 June 2015.

On 23 April 2015, the entire equity interest in Heilongjiang Shentong was acquired by Global Luck.

Gearing ratio

As at 30 June 2015, the gearing ratio of the Target Group, expressed as a percentage of total liabilities to total assets), was 70% (31 March 2015: 72%).

Capital structure

The Target Group mainly finances its operation with internally resources.

The amounts due from/to ultimate parent, fellow subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

The Target Group did not have any outstanding bank and other loans as at 30 June 2015 (31 March 2015: Nil).

Save as the above, the capital structure of the Target Group had no material change.

Contingent liabilities

As at 30 June 2015, the Target Group had no material contingent liabilities.

Operating lease commitments

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

As at the end of each reporting period, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March 2015	**As at 30 June 2015**
	HK$	*HK$*
Within one year	350,650	476,886
In the second to fifth years inclusive	105,013	71,622
Total	455,663	548,508

Capital commitments

As at 30 June 2015, capital commitments was HK$0.4 million (31 March 2015: HK$0.4 million).

Employees and remuneration

The Target Group had 60 employees as at the Latest Practicable Date (31 March 2015: 65).

The Target Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions.

Employee benefits expenses

Employee benefits expenses increased by HK$0.6 million, or 200.2%, from HK$0.3 million for the three months ended 30 June 2014 to HK$0.9 million for the three months ended 30 June 2015. Such increase was primarily due to the increase in the number of employees.

The following table sets out a breakdown of employee benefits expenses for the respective periods indicated:

	For the three months ended 30 June	
	2014	**2015**
	HK$	*HK$*
	(unaudited)	
Salaries, bonuses and allowances	248,729	751,790
Retirement benefit scheme contributions	38,755	111,349
Total	287,484	863,139

Retirement benefit schemes

The employees of the Target Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

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)

Executive Directors:
Mr. He Chenguang *(Chairman)*
Mr. Bao Yueqing *(Chief Executive Officer)*

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

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Units 2115–2116
21/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

31 December 2015

To the Independent Shareholders

Dear Sir or Madam,

(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
(4) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed as members of the Independent Board Committee to advise you in respect of the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions, details of which are set out in the letter from the Board in the circular (the "Circular") of the Company dated 31 December 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Nuada Limited as set out on pages 140 to 185 of the Circular, which contains its advice and recommendation to us as to whether or not the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group or the Enlarged Group (as the case may be) and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having taken into account, the factors and reasons considered by, and the opinion of, Nuada Limited as stated in its aforementioned letter of advice, we are of the opinion that (i) the Acquisition, the Placing Specific Mandate and the Subscription Specific Mandate, while are not in the ordinary and usual course of business of the Group, are in the interest of the Company and the Shareholders as a whole and are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and that (ii) the Non-Exempt Continuing Connected Transactions are entered into by the Enlarged Group in its ordinary and usual course of business, and are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the Non-Exempt Continuing Connected Transactions.

Yours faithfully,
The Independent Board Committee of
China Communication Telecom Services Company Limited

Mr. Yip Tai Him	**Ms. Han Liqun**	**Ms. Zhang Li**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the Non-Exempt Continuing Connected Transactions prepared for the purpose of incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805–08, 18/F
OfficePlus @Sheung Wan
93–103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93–103號
協成行上環中心18樓1805–08室

31 December 2015

To the Independent Board Committee and
the Independent Shareholders of
China Communication Telecom Services Company Limited

Dear Sirs,

(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

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Acquisition, the Placing Specific Mandate and the Subscription Specific Mandate, and the Non-Exempt Continuing Connected Transactions, details of which are set out in the letter from the Board (the "Board's Letter") contained in the circular of the Company dated 31 December 2015 to the Shareholders (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 9 December 2015, the Company and the Vendor (being an indirect wholly-owned subsidiary of CCC) entered into the Sale and Purchase Agreement, whereby the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, the Sale Shares at the Consideration of HK$30 million. The Sale Shares represents the entire issued share capital of the Target Company.

The Consideration is intended to be financed by the proceeds to be raised from the Placing(s) and the Subscription. The Company intends to raise an aggregate net proceeds of approximately HK$385 million through the Placing(s) and the Subscription. The Acquisition, the Placing(s) and the Subscription are inter-conditional. In light of the Acquisition, the Directors will seek the approval of the Independent Shareholders at the EGM for the grant of the Specific Mandates 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, 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. The Placing Shares are not underwritten.

The Acquisition constitutes a very substantial transaction of the Company under Chapter 19 of the GEM Listing Rules. In addition, as the Vendor and CCI are connected persons of the Company by virtue of them being a connected subsidiary and a substantial Shareholder respectively, each of the Acquisition and the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the approval of the Independent Shareholders at the EGM.

Furthermore, the Target Group entered into (i) the Customer Service Hotline Rental Contract; (ii) the Server Hosting Agreement; (iii) the Web Advertising Contract (Heilongjiang Shentong); (iv) the Web Advertising Contract (Daqing Shentong); (v) the Heilongjiang Shentong CRC Shentong Card Payment System Contract; (vi) the Daqing Shentong CRC Shentong Card Payment System Contract; (vii) the Website Maintenance Contract; (viii) the Harbin China Communication Skill Training Venue Rental Agreement; and (ix) the China Communication Heilongjiang Bin County Branch Venue Rental Contract (together, the "CCT Agreements"), which, assuming Acquisition Completion, would constitute continuing connected transactions of the Enlarged Group under the GEM Listing Rules.

In accordance with the GEM Listing Rules, any Shareholder who has a material interest in the Acquisition, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements shall abstain from voting on the resolution(s) to approve the Acquisition, the Placing Specific Mandate, the Subscription Specific Mandate and the CCT Agreements and the respective transactions contemplated thereunder at the EGM. The Subscriber, CCI, and its associates will abstain from voting on the relevant resolution(s) at the EGM accordingly.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, the CCT Agreements and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and/or its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Directors, the Company and/or its management, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, the Company and its management in connection with the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM.

We have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, the Target Company, the Vendor, CCI and CCC and/or their respective subsidiaries or associates and/or any of their partners. Neither have we carried out any independent verification or investigation of the market research information reviewed or referred to by us. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, the CCT Agreements and the transactions contemplated thereunder.

We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate and the CCT Agreements.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, the CCT Agreements and the transactions contemplated thereunder. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

I. The Acquisition

Principal business of the Group

The Group is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in relation to insurance and telecommunication products (the "Designated Shentong Cards") in the PRC.

"Shentong Card" is an electronic wallet launched by CCC, which has passed the testing by Bank Card Test Center (銀行卡檢測中心), whereby money can be transferred between an individual's bank account and his designated "Shentong Card". CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" platform. As an electronic wallet, "Shentong Card" can be used to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees, etc..

Summarised below is the financial information of the Group for the year ended 31 March 2014 and 2015 (as extracted from the annual report 2014/2015 of the Company) and the six months ended 30 September 2014 and 2015 (as extracted from the interim report 2015/2016 of the Company):

	For the year ended 31 March		**For the six months ended 30 September**	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	(Unaudited)
Revenue	38,865	38,484	20,232	16,685
Gross profit	26,850	27,007	14,351	11,060
Net profit/(loss)	(9,113)	(9,871)	(4,310)	(8,425)

	As at 31 March		**As at 30 September**
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Non-current assets	6,455	3,723	1,996
Current assets	62,889	57,531	50,731
Current liabilities	14,032	14,873	14,834
Non-current liabilities	99,374	100,606	101,224
Net current assets	48,857	42,658	35,897
Net assets/(liabilities)	(44,062)	(54,225)	(63,331)

According to the annual report 2014/2015 of the Company, the Group recorded revenue of approximately HK$38,484,000 for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to approximately HK$38,865,000 for the year ended 31 March 2014. The revenue for the year ended 31 March 2015 was attributable to the provision of promotion and management services for the Designated Shentong Cards in the PRC. The Group made a net loss attributable to owners of the Company of approximately HK$9,871,000 for the year ended 31 March 2015 as compared to approximately HK$9,113,000 for the year ended 31 March 2014. The increase in loss was mainly attributable to the slight decrease in revenue of the Designated Shentong Cards and the increase in staff costs and rental expenses for the year.

According to the interim report 2015/2016 of the Company, the Group recorded consolidated revenue of approximately HK$16,685,000 for the six months ended 30 September 2015, representing a decrease of approximately 17.5% as compared to approximately HK$20,232,000 for the previous corresponding period. The revenue for the six months ended 30 September 2015 was attributable to the provision of promotion and management services for the Designated Shentong Cards in the PRC.

The Group made a net loss attributable to the owners of the Company of approximately HK$8,425,000 for the six months ended 30 September 2015 as compared to approximately HK$4,310,000 for the previous corresponding period. The decline in results was mainly due to the decrease in revenue from promotion and management services for the Designated Shentong Cards.

As stated in the interim report 2015/2016 of the Company, apart from concentrating on the business in promotion and management services for the Designated Shentong Cards, the Directors will continue to do their best to deploy their strengths and capabilities to expand the revenue base of the Group and capture the new opportunities offered by the prosperity of the PRC market.

As at 30 September 2015, the Group had net liabilities of approximately HK$63,331,000, with total assets of approximately HK$52,727,000 (with intangible assets of approximately HK$845,000) and total liabilities of approximately HK$116,058,000 (which is mainly attributable to the carrying value of the promissory note amounting to approximately HK$101,013,000). As at 30 September 2015, the Group had bank and cash balances of approximately HK$43,311,000.

Information regarding the Target Group

The Target Group is principally engaged in the promotion, sales and management related to the CRC Shentong Cards facilitated by the provision of robotics education and training courses as well as the organisation and hosting of CRC (i.e. "China Robot Competition" (全國素質體育機器人運動會)) competition events in Heilongjiang Province in 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.

As disclosed in the chapter headed "INFORMATION ON THE TARGET GROUP" in the Circular, 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), and consented by the Social Sports Direction Centre of the General Administration of Sport (國家體育總局社會體育指導中心) and further confirmed by the Heilongjiang Province Sports Federation (黑龍江省體育總會) and the Harbin Municipal Sports Federation (哈爾濱市體育總會) to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC. To the best knowledge of the Company, the Target Group is the only authorised entity to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province. 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 seven self-operated CRC demonstration centres of the Target Group are principally used as 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, the Target Group charges fees and receives income via the CRC Shentong Cards in relation to the marketing, sales and management of CRC courses. For courses provided at schools and co-operated training centres, the Target Group will provide a split of 50% to relevant schools and 70% to relevant co-operated training centres of such fees.

Further details regarding the corporate structure, business model and operations of the Target Group are set out in the Board's Letter and the chapter headed "INFORMATION ON THE TARGET GROUP" in the Circular.

A robotic competition is an event where robots have to accomplish a task. International robotic competition currently includes World Robot Olympiad and RoboCup. The World Robot Olympiad is a global robotics competition for young people, first held in 2004 in Singapore. The main focus of the RoboCup competitions is the game of football/soccer, where the research goals concern cooperative multi-robot and multi-agent systems in adversarial environments. According to the Notice on Proper Implementation of Preparatory Work for First National Quality Sports Robotic 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 robotic competition as an emerging social sports competition (新興社會體育賽事) whereby competitors would use robots as participating equipment compete against each other at designated venues with the objective of winning in accordance with general rules. The name of the competition is "China Robot Competition" and abbreviated as "CRC".

According to public media source published in May 2015, China robot sports was admitted as one of the social sports by the General Administration of Sports (國家體育總局) since 2011, and over 10,000 competitions of various kinds and levels with over a hundred million of participants had been held in three years, and there were over ten million accredited professionals. The First National China Robot Competition was held and completed in September 2015.

To the best knowledge of the Company, the Target Group had held 21 competitions in Heilongjiang Province of the PRC for the year ended 31 March 2014 and 29 competitions in Heilongjiang Province of the PRC for the year ended 31 March 2015, and the Target Group had built up a network to provide training and education courses by cooperating with schools and 30 CRC training centres in Heilongjiang Province of the PRC as well as a customer base with over 40,000 users of CRC Shentong Cards. The participants of the Target Group's education and training courses and competitions mainly include students, instructors, referees and other competition related personnel (such as scorekeepers, clerks and recorders).

In order to capture different customers and income streams, the Target Group has established strategic partnerships with various associations, including Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) and universities in Heilongjiang Province. Under the partnership with the Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心), Heilongjiang Shentong has agreed to provide multirotor training courses to retired athletes. The Heilongjiang Provincial Sports Bureau Athletes Protection Centre (黑龍江省運動人事保障中心) is to liaise and gather a certain number of retired athletes to participate in the training courses. Suitable retired atheletes would receive further training to become CRC training instructors, referees or scorekeepers for the CRC Training Course Providers. Under the partnership with universities including Harbin Institute of Technology, Harbin Engineering University and Harbin University, the Target Group enjoys a sufficient customer base and has secured venues for organising CRC competitions. It is expected that such strategic partnerships would contribute to the revenue stream of the Target Group in the future.

Summarised below is the financial information of the Target Group for each of the years ended 31 March 2014 and 2015, and the three months ended 30 June 2015:

	For the year ended 31 March		**For the three months ended 30 June**	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue (including sales tax)	43,749	79,899	19,950	13,576
Net revenue (excluding sales tax)	42,075	76,590	19,188	12,828
Gross profit	13,722	38,331	10,390	5,311
Net profit	8,677	24,329	7,272	3,182

	As at 31 March		As at 30 June
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	1,542	12,349	11,575
Current assets	73,784	107,650	106,419
Current liabilities	66,778	84,661	82,084
Non-current liabilities	—	1,588	—
Net current assets	7,006	22,989	24,335
Net assets	8,548	33,750	35,910
Net tangible assets	8,548	31,608	33,768

Revenue and other income

Set out below is the breakdown of the revenue of the Group for each of the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015:

	For the year ended 31 March		For the three months ended 30 June	
	2014	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Revenue				
Training courses *(Note 1)*	34,207,136	65,845,040	17,120,925	12,674,989
Competition admission fee *(Note 1)*	3,481,963	841,486	302,302	367,974
Competition sponsorship *(Note 2)*	3,531,786	11,510,071	2,240,199	—
Sales of course materials *(Note 3)*	1,392,809	352,060	37,430	—
Management fee income *(Note 4)*	1,135,217	1,313,649	248,911	249,813
Rental income of training equipment *(Note 5)*	—	37,107	—	282,733
Total	**43,748,911**	**79,899,413**	**19,949,767**	**13,575,509**

Notes:

1. The Target Group charges tuition fees and competition admission fees to participants of CRC training courses and CRC competition events respectively, which are received via CRC Shentong Card payment system.

2. Income from competition sponsorship refers to sponsorship fees received from sponsors in relation to CRC competition events held.

3. CRC learning materials, namely training textbooks, for CRC education and training courses are sold to CCC which would be ultimately distributed to other training centres in other provinces of the PRC.

4. The management fee income refers to annual subscription fees received from co-operated training centres co-operating with the Target Group.

5. The Target Group earns rental income from renting out its training equipments to students from time to time.

For the year ended 31 March 2015, the revenue (including sales tax) of the Target Group amounted to approximately HK$79,899,000 (representing an increase of approximately 82.63% as compared with approximately HK$43,749,000 for the year ended 31 March 2014), with majority of which attributable to income for the provision of robotics education and training courses and the competition admission fees for CRC competition events organised and hosted by the Target Group received via CRC Shentong Cards (accounting for approximately 83.46% of the total revenue before sales tax), sponsorship fees received from sponsors of the CRC competition events (accounting for 14.41% of the total revenue before sales tax), and the remaining of approximately 2.13% attributable to sales of course materials, management fee income and rental income of training equipment. The increase in revenue for the year ended 31 March 2015 as compared to that for the year ended 31 March 2014 was mainly due to the increase in revenue generated from training courses (which was mainly due to the increase in revenue generated from the integrated courses).

For the three months ended 30 June 2015, the revenue (including sales tax) of the Target Group amounted to approximately HK$13,576,000 (representing a decrease of approximately 31.95% as compared with approximately HK$19,950,000 for the previous corresponding period). The decrease was mainly due to the decrease in income from the provision of robotics education and training courses and no competition sponsorship income was recorded for the period.

To the best knowledge of the Company, the decrease in income from provision of robotics education and training courses was mainly due to the strategic move of the Target Group on overall course design from focusing on theory education and lego-equipped trainings (which the Target Group considers having less competitive advantages leveraging on the CRC brand of the Target Group in the long run) to aerial vehicles trainings and self-balanced vehicles trainings (which the Target Group considers having brand advantages over competitors since such trainings are being sports events under the CRC competitions at various levels in the long run). During the shift of focus on overall course design, the Target Group underwent temporarily transition stage with less revenue generated from aerial vehicles trainings and self-balanced vehicles trainings at relatively developing stage for the three months ended 30 June 2015.

In addition, it is noted that the Target Group recorded other income of approximately HK$1,224,531 for the year ended 31 March 2015 (as compared to approximately HK$1,172,646 for the year ended 31 March 2014). The other income recorded for the year ended 31 March 2015 was mainly attributable to netted conference service income, interest income on bank deposits and gain on disposal of financial assets, while the other income recorded for the year ended 31 March 2014 was mainly attributable to interest income on bank deposits and gain on disposal of financial assets at fair value through profit or loss. For the three months ended 30 June 2015, the Target Group recorded other income of approximately HK$517,404 (as compared to approximately HK$314,638 for the previous corresponding period). The other income recorded for three months ended 30 June 2015 was mainly attributable to conference services income, interest income on bank deposits and interest income from loan to its ultimate parent company.

Gross profit

For the year ended 31 March 2015, the Target Group recorded gross profit of approximately HK$38,331,000, representing an increase of approximately 179.34% as compared with HK$13,722,000 for the year ended 31 March 2014. The Target Group attained a gross profit margin of 50.05% for the year ended 31 March 2015, as compared to 32.61% for the year ended 31 March 2014.

For the three months ended 30 June 2015, the Target Group recorded gross profit of approximately HK$5,311,000, representing a decrease of approximately 48.88% as compared with HK$10,390,000 for the previous corresponding period. The gross profit margin of the Target Group for the three months ended 30 June 2015 was 41.40%, as compared to 54.15% for the previous corresponding period. The decrease in gross profit and gross profit margin was mainly attributable to the decrease in revenue.

Net profit

For the year ended 31 March 2015, the net profit of the Target Group amounted to approximately HK$24,329,000 (representing an increase of approximately 180.38% as compared with approximately HK$8,677,000). The increase in profit was mainly due to the increase in revenue.

For the three months ended 30 June 2015, the net profit of the Target Group amounted to approximately HK$3,182,000 (representing a decrease of approximately 56.24% as compared with approximately HK$7,272,000). The decrease in net profit was mainly due to the decrease in revenue, and accordingly the gross profit, the increase in selling and distribution expenses and administrative expenses. The increase in selling and distribution expenses and administrative expenses was mainly due to increase in staff cost.

Financial position

As at 31 March 2015, the Target Group had net assets of approximately HK$33,750,000 and net tangible assets of approximately HK$31,608,000, with total assets of approximately HK$119,999,000 (with goodwill of approximately

HK$2,142,000) and total liabilities of approximately HK$86,249,000. As at 31 March 2015, the Target Group had net current assets of approximately HK$22,989,000, with bank and cash balances of approximately HK$3,642,000.

As at 30 June 2015, the Target Group had net assets of approximately HK$35,910,000 and net tangible assets of approximately HK$33,768,000, with total assets of approximately HK$117,994,000 (with goodwill of approximately HK$2,142,000) and total liabilities of approximately HK$82,084,000 (being all current liabilities). As at 30 June 2015, the Target Group had net current assets of approximately HK$24,335,000, with bank and cash balances of approximately HK$820,000.

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 the Exclusive Rights, details of which are set out under the section headed "SERVICE AGREEMENT BETWEEN CCI AND THE TARGET COMPANY" in the Board's Letter. As a result of the entering into of the Service Agreement, liabilities in the amount of HK$350,000,000 was incurred to the Target Group.

As advised by the Company, the Target Group had no borrowings and/or any contingent liabilities as at the Latest Practicable Date.

Reasons for the Acquisition

In view of the major revenue sources of the Target Group, as advised by the Company, it is intended that upon the Acquisition Completion, the Target Group would focus on the promotion, sales and management services related to CRC Shentong Cards facilitated by the provision of CRC-standardised education and training courses and the organisation and hosting of CRC competition events for income received via CRC Shentong Cards and from sponsorships. Details regarding the reasons for the Acquisition are set out in the section headed "Reasons for and Benefits of the Acquisition" in the Board's Letter. With reference to the section headed "Reasons for and Benefits of the Acquisition" in the Board's Letter and as discussed with the Company, we note that the Company considers the anticipated benefits of the Acquisition would include:

(i) enhancing the revenue stream of the Group with the income generated by the Target Group through the promotion, sales and management of CRC Shentong Cards facilitated by the provision of education and training courses relating to robotics standardised by CRC, as well as the organisation and hosting of CRC competition events, other than the revenue generated from the provision of promotion and management services for the Designated Shentong Cards of the Group;

(ii) broadening the customer base of the Group with the existing customers (which are primarily students in Heilongjiang Province in the PRC) and/or potential customers of the Target Group, which may facilitate the marketing and sales of the Designated Shentong Cards of the Group, and in turn may enhance the financial performance with possible increase in turnover and economies of scale of the Group;

(iii) enriching the business scope of the Group, which may complement the existing "Shentong Card" business of the Group with the exposure of the Target Group in utilising the CRC Shentong Cards; and

(iv) strengthening the Group with the capabilities in organising robotics activities (including robotics-related education, training and competitions), and thus the possibilities for exploring future business opportunities in related fields, such as conducting similar activities in other areas of the PRC, with an aim to further enhance the revenue base as well as expand the sale platform of the Designated Shentong Cards.

Further to (ii) above, the Board envisages that after the Acquisition Completion, the Group may explore the possibility of integrating the Designated Shentong Cards of the Group and the CRC Shentong Cards of the Target Group or incorporating the services available in the Designated Shentong Cards into the CRC Shentong Cards, with the purposes of increasing the economic efficiencies (such as in terms of marketing resources and technological support resources) of the Enlarged Group's operation as well as boosting the usage of Shentong Cards of the Enlarged Group as compared to that prior to the Acquisition Completion. Independent Shareholders should note that the possible integration of the Designated Shentong Cards and the CRC Shentong Cards may or may not proceed, but if materialised, may represent further expansion opportunities and synergy possibilities for the Group's business.

Intended future plans of the Target Group

For information purpose, apart from the possible expansion opportunities and synergy possibilities which may be brought about by the Acquisition anticipated by the Group as explicated above, as noted from the Board's Letter, the Target Group's intended future plans mainly include the followings:

(a) The Target Group plans to continue strategically expanding its CRC network in Heilongjiang Province in order to achieve organic revenue growth and greater economies of scale. Its expansion strategy is two-fold: first, to increase the number of registered official CRC training centres in the Heilongjiang Province by promoting, conducting site visits and demonstrating the robotics competitions and training programs to the targeted schools and training centres; and second, to increase the number of CRC instructors and CRC competition qualified professionals (such as referees, timekeeper and other competition related personnel).

(b) The Target Group also plans to promote the CRC competitions at a national level by participating in the Chinese International Youth Exchange Activities for Robot. It is expected that pre-applications to participate in the Chinese International Youth Exchange Activities for Robot will commence at the end of 2015.

(c) The Target Group plans to broaden its customer base with the Heilongjiang Traffic Police Department by cooperating with the Bin County Public Security Bureau (賓縣公安局). The Target Group is in preliminary cooperation with the Bin County Public Security Bureau (賓縣公安局), whereby the Target Group would provide training on the theory and practical applications of unmanned aerial vehicles in relation to different aspects of law enforcement. The Target Group plans to continue and expand its cooperation with the Bin County Public Security Bureau (賓縣公安局).

(d) The Target Group seeks to expand its robotics sports coverage to cities or provinces outside Heilongjiang Province, and the Company is in preliminary negotiations with CCC to obtain a first right: (i) for the Company to develop business similar to the Target Group in other places in the PRC where CCC intends to do so; and (ii) to acquire at the Company's sole discretion from CCC should it decide to dispose of any of the business similar to that of the Target Group in other parts of the PRC.

As at the Latest Practicable Date, the Enlarged Group had not entered into any definitive agreement with CCC or engaged in any active discussion with any potential target. The Enlarged Group believes that it will be able to identify acquisition targets that complement its existing capabilities and businesses and allow it to continue to grow.

For details regarding the intended future plans of the Target Group, Independent Shareholders may refer to the section headed "Strategies" in the chapter headed "INFORMATION ON THE TARGET GROUP" in the Circular.

In view of the principal business of the Target Group with proven revenue and profit track record, we consider that the Acquisition would not only broaden the revenue stream of the Group with the income generated from the existing business of the Target Group, but also enlarge the potential customer base of the Designated Shentong Cards of the Group and any increase in number of users of the Designated Shentong Cards of the Group brought about by the customer base of the Target Group may benefit the Group's financial performance with possible increase in revenue and economies of scale.

Nevertheless, Independent Shareholders should aware of the risk factors involved in the business of the Target Group, including but not limited to the possible risks relating to change in economic environment and/or relevant regulatory framework, renewal of the relevant authorisations and/or consents, popularity of robotic sports in the PRC, the relationship with schools and co-operated training centres, reliance on supplier(s) for various operational matters as well as uncertainties relating to forward-looking statements contained in the Circular. Details regarding the risk factors involved in the business and operations of the Target Group and in connection with the Acquisition are set out in the section headed "RISK FACTORS" in the chapter headed "INFORMATION ON THE TARGET GROUP" in the Circular.

Taking into account (i) the principal business of the Group in the provision of promotion and management services for the Designated Shentong Cards in the PRC; (ii) the established business operation and customer base of the Target Group in the promotion, sales and management of the CRC Shentong Cards facilitated by the provision of CRC-standardised education and training courses, as well as the organisation and hosting of the CRC competition events; and (iii) the proven historical revenue and profit track record of the Target Group, we consider that the Acquisition, which is not in the ordinary and usual course of business of the Group, is in line with the existing business and business development of the Group and would enable the Group to expand its business in broadening its revenue stream and customer base as well as provide the Group with the opportunities to explore any future development and/or synergy possibilities in relation to "Shentong Card".

Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, 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 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 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 within five Business Days after the date on which 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 PRC laws provided that in the event the Vendor fails to provide such evidence within the time period required by the applicable PRC laws, the Purchaser shall be entitled to make payment out of and up to the said HK$2,900,000 for such amount of tax payable by the Vendor to the relevant tax authority of the PRC for the sale of the Sale Shares and pays such amount to the PRC tax authority on behalf of the Vendor and to discharge the Purchaser's obligation(s) under the applicable PRC law, the balance remaining, if any, shall be paid by the Purchaser to the Vendor as soon as practicable thereafter. Any payment by the Purchaser to the PRC tax authority on behalf of the Vendor shall be deemed to have been paid by the Purchaser to the Vendor as part of the Consideration payable by the Purchaser.

The Vendor irrevocably and unconditionally undertakes 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. The Vendor shall indemnify and keep indemnified the Purchaser on demand in respect of the Vendor's failure to so comply.

It is intended that the Consideration would be financed by the net proceeds derived from the Placing(s) and the Subscription, which are inter-conditional with the Acquisition. For details regarding the conditions precedents of the Sale and Purchase Agreement, the Placing(s) and the Subscription, please refer to the Board's Letter.

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). For details of the Service Agreement, please refer to the section headed "SERVICE AGREEMENT BETWEEN CCI AND THE TARGET COMPANY" in the Board's Letter.

In assessing the fairness and the reasonableness of the Consideration, we consider that price-to-earnings multiples analysis and price-to-book multiples analysis, being two commonly adopted analysis of business valuation, might not be appropriate taking into account the unique nature of the business of the Target Group, in particular its unique business model, as well as the Exclusive Rights.

In assessing the fairness and reasonableness of the Consideration, we have taken into account the net assets of the Target Group as at 30 June 2015 and the liabilities incurred to the Target Group under the Service Agreement entered into by the Target Group on 21 November 2015 and the appraised value of the Exclusive Rights as at 21 November 2015. In particular, we have reviewed the valuation report prepared by Grant Sherman Appraisal Limited (the "Valuer") regarding the fair value of the Exclusive Rights (the "Valuation Report") as set out in Appendix IV to the Circular and discussed with the Valuer regarding, among other things, the assumptions, basis and methodologies adopted therein.

We have also reviewed (i) the terms of engagement regarding the Valuation Report and noted that the scope of work is appropriate for appraising the Exclusive Rights; and (ii) inquired and reviewed the qualification and the experience of the Valuer, including the relevant track record of the Valuer in business valuations and intangible assets valuations for listed companies in Hong Kong and the qualification and the experience of the persons-in-charge of the Valuer. As confirmed by the Valuer, the Valuer does not have any current or prior relationship with the Company, the other party to the transaction, and core connected persons (as defined under the GEM Listing Rules) of the Company and/or the other party to the transaction, save for previous independent appraisal assignments.

We note that the Valuer has considered the market approach, the cost approach and the income approach, being three commonly used valuation methodologies, in valuing the Exclusive Rights and had selected the income approach with the adoption of the discounted cash flow method based on the financial projections provided by the Target Company.

We understand from the Valuer that the income approach was selected taking into consideration that (i) the market approach might not be appropriate given the unique nature of the Exclusive Rights; (ii) the cost approach might not be appropriate as it cannot reflect the future economic benefits to be derived from the Exclusive Rights; and (iii) the income approach being the appropriate method capturing the future economic benefits brought by the Exclusive Rights, which is the main value drive.

The Valuer applied the income approach technique known as the discounted cash flow method ("DCFM") and the Multiperiod Excess Earnings Method ("MPEEM"). We note that the appraised value of the Exclusive Rights under such methods is arrived at primarily based on the present worth of future economic benefits to be derived from the Exclusive Rights taking the financial projections of the Target Group as a starting point (i.e. the financial projections in relation to the future economic benefits of the Target Group from the financial year ended 31 March 2016 to the financial year ended 31 March 2025 and thereafter by applying a perpetual growth rate of 3%), and then deducting those attributable to other contributory assets other than the Exclusive Rights, with the adoption of discount rates factoring in the inherent risks relating to the Target Group, the Exclusive Rights and/or the other contributory assets. We understand from the Valuer that the discount rate applied under the valuation of the Exclusive Rights is the weighted average cost of capital, which is developed through the application of the Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects, plus an intangible asset risk premium. As advised by the Company, the DCFM and the MPEEM are common valuation methods for valuing intangible assets which are the main value driver of business enterprises. We also take note of the major assumptions adopted in the valuation of the Exclusive Rights which are listed out in the section headed "BASIS OF VALUATION AND ASSUMPTIONS" in the Valuation Report as set out in Appendix IV to the Circular, and we are not aware of any abnormities regarding such major assumptions.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among other things, (i) the scope of work and assumptions of the valuation; (ii) the valuation basis and methodologies, in particular the discount rate(s) adopted under the discounted cash flow method; and (iii) the due diligence works performed by the Valuer in preparing the Valuation Report, including the review of the relevant market researches, the review and the discussion with the management of the Target Group of the business nature, the past financial performance and the financial position of the Target Group and the relevant financial projections, the determination of the discount rate(s) based on available market data with the application of the CAPM, and the computation of the net present value of the Exclusive Rights, we consider the works performed by the Valuer as well as the basis, assumptions and methodologies adopted for the valuation of the Exclusive Rights appropriate. We have considered the report from RSM Hong Kong regarding the accuracy of the calculations in respect of the financial projections underlying the Valuation and have not performed independent verification of the accuracy of such calculations and the letter from CIMB Securities Limited regarding the financial projections underlying the Valuation. Nevertheless, our opinion in relation to the valuation of the Exclusive Rights as stated above does not in any manner implies that the financial projections based on which the Valuation Report is made will be actually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the financial projections underlying the Valuation and the actual economic benefits achieved in the future.

According to the Valuation Report included as Appendix IV in the Circular, the valuation of the Exclusive Rights amounted to approximately RMB295.83 million (equivalent to approximately HK$359.11 million) as at 21 November 2015. Given the appraised value of the Exclusive Rights of approximately HK$359.11 million as 21 November 2015, we consider that the Service Fee under the Service Agreement is determined on normal commercial terms and fair and reasonable. Furthermore, taking into account the appraised value of the Exclusive Rights amounting to approximately HK$359.11 million (being intangible assets of the Target Group), based on the net assets of the Target Group of approximately HK$35.91 million as at 30 June 2015 and in view of the liabilities of HK$350 million incurred under the Service Agreement entered into on 21 November 2015, the adjusted net assets of the Target Group (the "Adjusted NAV) would be approximately HK$45.02 million (and excluding the goodwill of approximately HK$2.14 million, the Adjusted NAV would be HK$42.88 million). The Consideration of HK$30 million thus represents a discount of approximately 33.36% to the Adjusted NAV or approximately 30.04% to the Adjusted NAV (excluding goodwill). Based on the above, we consider that the Consideration and the obligation of the Company under the Sale and Purchase Agreement to fund the payment of the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

II. The Placing Specific Mandate and the Subscription Specific Mandate

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 Group (being a member of the Enlarged Group after Acquisition Completion) and the remaining balance will be used for general corporate purposes of the Group.

The issue of new Shares pursuant to the Placing Specific Mandate and the Subscription Specific Mandate are inter-conditional. Details regarding the major terms and conditions of the Placing Specific Mandate and the Subscription Specific Mandate are set out in Board's Letter. 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.

Assuming the Placing Completion and the Subscription Completion, the existing shareholdings of the Subscriber in the Company would remain the same as 27.54%, and there would be no change in the substantial Shareholder of the Company as a result of the Placing(s) and the Subscription.

Reasons for the Placing(s) and the Subscription and use of proceeds

If the Directors exercise the Specific Mandates 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 per Share (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$385 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.

As stated in the section headed "Principal business of the Group" above, the Group had net current assets of approximately HK$35,897,000, with bank and cash balance of approximately HK$43,311,000 as at 30 September 2015. In addition, as noted from the annual report 2014/2015 of the Company, the Group recorded net cash used in operating activities of approximately HK$5,535,000 for the year ended 31 March 2015. In view of the above, we consider that the Placing(s) and the Subscription would enable the Group to finance the Acquisition and the obligation of the Company under the Sale and Purchase Agreement to fund the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion) without affecting the liquidity position of the Group, as well as raise additional cash resources for enhancing the Group's financial flexibility for its business operations and development.

Other financing alternatives available to the Group

As advised by the Company, they have considered various fund raising alternatives for the Group, including both debt financing and equity financing. The Company considers that the obtaining of debt financing might not be feasible and would incur interest burden and repayment obligations of the Group and potentially may be subject to lengthy due diligence and negotiations process. As for equity financing, the Company considers that rights issues/open offers could not be conducted in a timely manner as the implementation time for rights issues/open offers, which involves an offer period, would be longer as compared to that for placings/subscriptions.

The Directors have considered pre-emptive issuances such as rights issue or open offer. Given the volatility of the global financial markets, the Placing Specific Mandate and the Subscription Specific Mandate have advantages over such pre-emptive fund raising methods in enabling the Company to capture a favourable equity market condition by conducting equity financing in a flexible and timely manner.

The Directors also expect that the Company will enhance the success of the fund raising by presenting to a wider base of institutional and professional investors who would have an understanding and appreciation of the business prospects of the Enlarged Group and that the relevant Placing Agent(s) will be able to introduce investors to the Company for the Placing(s) to be conducted pursuant to the Placing Specific Mandate to cater for the Company's funding needs. Furthermore, the Placing(s) to be conducted pursuant to the Placing Specific Mandate would enable the Company to broaden its Shareholders' base.

In view of the purpose of raising fund is mainly for financing the Acquisition and the obligation of the Company under the Sale and Purchase Agreement to fund the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion), we concur with the Company's view that the Placing(s) and the Subscription (which are inter-conditional, and the Subscription would enable the Subscriber to maintain its existing shareholdings in the Company, and there would be no change in the substantial Shareholder as a result of the Placing(s) and the Subscription) are the most efficient and less costly way for the Group to raise capital.

Principal terms of the Placing Specific Mandate and the Subscription Specific Mandate

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.

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).

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 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). 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).

Each of the Placing Specific Mandate and the 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.

The Placing Price and the Subscription Price

The Placing Price and the Subscription Price are the same, and 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;

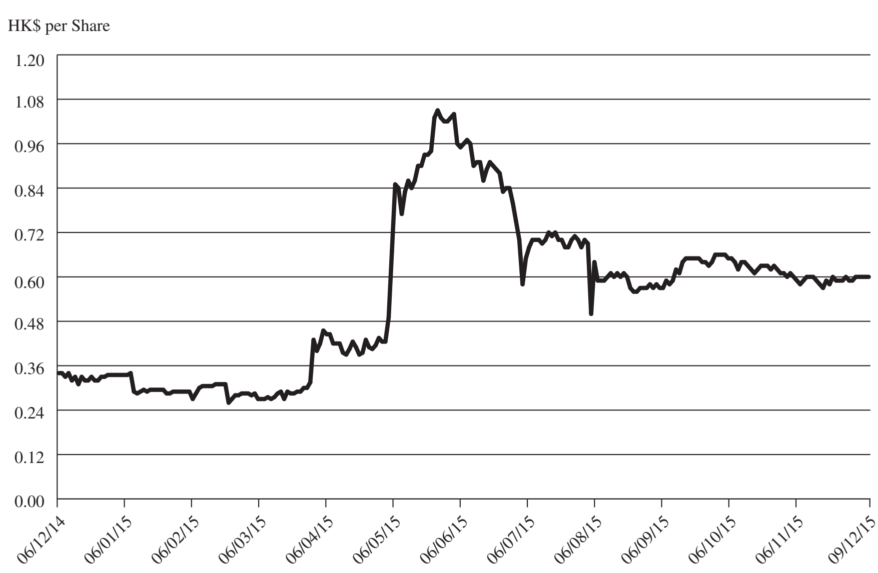
(B) the date of any relevant Placing Agreement(s) or other agreement involving the proposed issue of the Placing Shares under the Placing Specific Mandate; and

(C) the date of EGM.

The maximum discount of 15% to the relevant benchmark market prices of the Shares (with the floor price of HK$0.43 per Share) fixed under the pricing mechanism above is less than the applicable discount limit under the pricing threshold prescribed by the GEM Listing Rules for a share issue under general mandate.

In order to assess the fairness and reasonableness of the Placing Price and the Subscription Price, we have attempted to review the closing price of the Shares for the period from 1 December 2014 up to the date of the announcement dated 9 December 2015 issued by the Company (the "Announcement"), being the 12 calendar months prior to and up to the date of the Announcement (the "Review Period"), for the purpose of illustrating the trend of the share price performance of the Shares.

(a) Share price performance



Data source: Website of the Stock Exchange (www.hkex.com.hk).

During the Review Period, the closing price of the Shares ranged from the lowest of HK$0.26 per Share (as quoted on the Stock Exchange on 24 February 2015) to the highest of HK$1.05 per Share (as quoted on the Stock Exchange on 1 June 2015). It is noted that the closing price of the Shares had followed a general downward trend after reaching its highest of HK$1.05 per Share on 1 June 2015, with an average of approximately HK$0.54 per Share (the ''Average Share Price''). For reference purpose, we note that the floor price of HK$0.43 per Share represents a discount of approximately 20.37% to the Average Share Price, which is above the maximum discount fixed under the pricing mechanism of the Placing(s) and the Subscription.

(b) Historical trading volume

The table below sets out (i) the average daily trading volume of the Shares (the ''Average Volume''); and (ii) the percentage of the Average Volume to the total number of 1,294,697,017 Shares in issue as at the date of the Announcement (the ''Total Issued Shares'') for each of months during the Review Period:

	Average Volume (approximately)	**Percentage of Average Volume to the Total Issue Shares** *(%)*
2014		
December	15,000	0.0012
2015		
January	14,238	0.0011
February	13,222	0.0010
March	135,591	0.0105
April	708,895	0.0548
May	8,116,684	0.6269
June	2,790,909	0.2156
July	883,773	0.0683
August	3,271,810	0.2527
September	462,950	0.0358
October	212,700	0.0164
November	325,452	0.0251
December (up to the date of the Announcement)	236,714	0.0183

Data source: Website of the Stock Exchange (www.hkex.com.hk).

As illustrated in the table above, the trading volume of the Shares during the Review Period is relatively low, with the highest average daily trading volume amounted to 8,116,684 Shares (recorded in May 2015), representing approximately 0.6269% of the total number of Shares in issue as at the date of the Announcement.

Comparison with other placings/subscriptions of new shares

We have attempted to review all the placings/subscription of new shares under specific mandate announced by companies listed on the Stock Exchange in the three calendar months prior to and up to the date of the Announcement, and identified 27 placings/subscriptions of new shares initially announced during the period (the "Comparable(s)"). We consider the analysis of the Comparables is presented for a market general reference for the recent market practice in relation to the issue prices under other placings/subscriptions of new shares under specific mandate as compared to the relevant prevailing market share prices. To the best of our knowledge, effort and endeavour and based on our search conducted, the list of the Comparables is an exhaustive list of comparables for analysis purpose hereunder.

Details regarding the Comparables are set out below:

Initial announcement	Company	Stock code	Premium/(Discount) of issue price over/ to closing price per share on last trading day/date of announcement/ agreement in relation to the respective issue of shares *(Note 1) (%)*	Maximum dilution *(%)*
2 September 2015	PetroAsian Energy Holdings Limited	850	(22.16)	28.11
3 September 2015	China Financial International Investments Limited	721	(78.26)	55.28
15 September 2015	Ceneric (Holdings) Limited	542	(42.86)	66.00
22 September 2015	China For You Group Company Limited	572	(19.64)	27.69
24 September 2015	Petro-King Oilfield Services Limited	2178	14.50	7.04
25 September 2015	CNQC International Holdings Limited	1240	(20.00) *(Note 2)*	18.50
25 September 2015	China Everbright Bank Company Limited	6818	42.75	7.89
29 September 2015	Global Strategic Group Limited	8007	(82.90)	29.97
7 October 2015	Hong Kong Resources Holdings Company Limited	2882	(2.38)	8.59
8 October 2015	Link Holdings Limited	8237	(65.63)	19.77
13 October 2015	LVGEM (China) Real Estate Investment Company Limited	95	(12.35)	17.81
25 October 2015	China Smartpay Group Holdings Limited	8325	(0.50)	25.00
26 October 2015	Tesson Holdings Limited	1201	(23.08)	33.78

Initial announcement	Company	Stock code	Premium/(Discount) of issue price over/ to closing price per share on last trading day/date of announcement/ agreement in relation to the respective issue of shares *(Note 1) (%)*	Maximum dilution *(%)*
2 November 2015	Redco Properties Group Limited	1622	(16.10)	9.90
4 November 2015	Vitop Bioenergy Holdings Limited	1178	(43.82)	48.77
5 November 2015	Harmonic Strait Financial Holdings Limited	33	(28.57)	29.28
5 November 2015	LVGEM (China) Real Estate Investment Company Limited	95	(8.71)	34.86
6 November 2015	Bloomage BioTechnology Corporation Limited	963	(20.63)	2.82
6 November 2015	Kuangchi Science Limited	439	(29.70)	9.51
6 November 2015	King Stone Energy Group Limited	663	(15.10)	38.40
10 November 2015	Kasen International Holdings Limited	496	(52.00)	23.08
17 November 2015	Richly Field China Development Limited	313	—	9.86
28 November 2015	CIG Yangtze Ports PLC	8233	3.16	8.13
3 December 2015	North Asia Resources Holdings Limited	61	(83.33)	64.78
4 December 2015	Yuhua Energy Holdings Limited	2728	—	45.27
8 December 2015	China Information Technology Development Limited	8178	(38.10)	32.05
8 December 2015	Heng Xin China Holdings Limited	8046	(30.72)	24.86
		Average	(27.05)	26.93
		Minimum	(83.33)	2.82
		Maximum	42.75	66.00
	The Placing Specific Mandate and the Subscription Specific Mandate			41.69
	— Maximum discount		(15.00)	
	— Floor price		HK$0.43 per Share	

Notes:

1. Based on the figures disclosed in the initial announcement of the Comparables respectively.

2. Being the maximum discount of 20% with a floor price of HK$2.40 per share.

As shown on the above list of the Comparables, the premium/discount represented by issue prices of the Comparables over/to the relevant closing prices respectively ranges from a premium of approximately 42.75% to a discount of approximately 83.33%, with an average discount of approximately 27.05%. Under the pricing mechanism of the Placing(s) and the Subscription, the discount to the relevant benchmark market prices of the Shares would be no higher than 15% (with a floor price of HK$0.43 per Share), which is within the range and below the average discount of the Comparables. Taking into account the maximum discount of 15% to the relevant benchmark market prices of the Shares (with the floor price of HK$0.43

per Share) fixed under the pricing mechanism of the Placing(s) and the Subscription is (i) less than the applicable discount limit under the pricing threshold prescribed by the GEM Listing Rules for a share issue under general mandate, and (ii) within the range and below the average discount of the Comparables, we consider that the Placing Price and the Subscription Price to be determined under the pricing mechanism of the Placing(s) and the Subscription are fair and reasonable.

Maximum number of Placing Shares and the Subscription Shares, and potential dilution effect on the existing shareholdings of the Company

The maximum number of the Placing Shares of 670,809,083 new Shares and the Subscription Shares of 254,938,265 new Shares, in aggregate, represents (i) approximately 71.50% of the existing issued share capital of the Company of 1,294,697,017 Shares as at the Latest Practicable Date; and (ii) approximately 41.69% of the issued share capital of the Company of 2,220,444,365 new Shares as enlarged by the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares.

For illustration purpose, the changes in the shareholding structure of the Company arising from the Placing(s) and the Subscription are set out in the section headed "Effect on the shareholding structure" in the Board's Letter. Assuming the maximum number of the Placing Shares and the Subscription Shares are issued, the aggregate shareholdings of the Independent Shareholders would be decreased from 72.46% as at the Latest Practicable Date to 42.25% upon completion of the Placing(s) and the Subscription.

It is also noted that the maximum dilution effect of the Placing(s) and the Subscription is within the range of maximum dilution of the Comparables, details of which are set out in the table of the Comparables under the sub-section headed *"Comparison with other placings/subscription of new shares"* above. Taking into account (i) the Placing Specific Mandate and the Subscription Specific Mandate, if exercised, would enable the Group to raise capital for financing the Acquisition and the Service Fee under the Service Agreement by the Target Company (being a member of the Enlarged Group after Acquisition Completion) without affecting its liquidity position and raise additional funds for enhancing the financial flexibility of the Group for its business operations and development; (ii) the Subscription is for the purpose of maintaining the Subscriber's existing shareholdings in the Company, and there would be no change in the substantial Shareholder as a result of the Placing(s) and the Subscription; and (iii) the Placing Price and the Subscription Price are the same and the fairness and reasonableness of the Placing Price and the Subscription Price, we consider that the maximum dilution effect of the Placing(s) and the Subscription is acceptable, and the terms of the Placing Specific Mandate and the Subscription Specific Mandate are fair and reasonable.

III. The Continuing Connected Transactions

1. Customer Service Hotline Rental Contract

The Customer Service Hotline Rental Contract dated 1 January 2013 was entered into between CCC (as supplier) and Heilongjiang Shentong (as purchaser) in relation to the provision of a designated national customer service hotline number 95130*** by CCC to Heilongjiang Shentong.

Pursuant to the Customer Service Hotline Rental Contract (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, CCC will charge Heilongjiang Shentong (i) an annual fee of RMB20,000, which is on a pro-rata on a 12-month year basis; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to the scaled discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system, 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.

We understand from the Company that the customer service hotline provided by CCC is in place for receiving queries from customers as customer services. Given that such service is essential for maintaining customer relationship, we consider that the provision of customer service hotline is necessary for the existing business of the Target Group.

It is noted that the calling charges are based on charging standard stipulated by the PRC government, and the calling charges as indicated on the Customer Service Hotline Rental Contract (which are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time) are comparable to the customer service hotline rental charge of a telecommunication company. As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as CCC is the single supplier of customer service hotline rental services to the Target Group. Therefore, in assessing the terms of the Customer Service Hotline Rental Contract (including the relevant Annual Caps), we have reviewed five customer service hotline rental contracts (with similar payment terms) conducted by CCC with other independent third parties (which we consider are comparable to the Customer Service Hotline Rental Contract in terms of the nature of services provided), and we found that (i) the discount rates for calling charges offered by CCC to Heilongjiang Shentong under the Customer Service Hotline Rental Contract are higher than or equal to those offered by CCC to independent third parties; (ii) the annual fee of RMB20,000 charged by CCC to Heilongjiang Shentong under the Customer Service Hotline

Rental Contract is lower than those charged by CCC to independent third parties; and (iii) other payment terms under the Customer Service Hotline Rental Contract are the same as those customer service hotline rental contracts conducted by CCC with other independent third parties.

Taken into consideration that (i) the calling charges based on charging standard stipulated by the PRC government from time to time are applicable to other telecommunication operators; and (ii) the prices offered by CCC to Heilongjiang Shentong are more favourable than those offered by CCC to independent third parties, we are of the view that each of the prices and other payment terms under the Customer Service Hotline Rental Contract are fair and reasonable.

Notwithstanding the reliance on CCC as the single supplier of customer service hotline rental services to Heilongjiang Shentong, as Heilongjiang Shentong has been engaging CCC since its commencement of business operations for the provision of customer service hotline, which is necessary for the existing business of the Target Group, we consider that the Customer Service Hotline Rental Contract would enable smooth operations of the Target Group, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the Customer Service Hotline Rental Contract, we consider, among others, the relevant historical rental fees paid by Heilongjiang Shentong to CCC as set out below:

Historical rental fees	*RMB*
For the year ended 31 March 2014 *(Note 1)*	1,258,147
For the year ended 31 March 2015 *(Note 1)*	1,727,421
Annual Caps	
From Effective Date (as defined below) to 31 March 2016 *(Note 2)*	670,000
For the year ending 31 March 2017	2,200,000
For the year ending 31 March 2018	2,400,000

Notes:

1. The amount of the relevant rental fees paid by Heilongjiang Shentong to CCC of approximately RMB1,727,421 for the year ended 31 March 2015 represents an increase of approximately 37.30% as compared to approximately RMB1,258,147 for the year ended 31 March 2014. As advised by the Company, the increase was mainly due to the increase in actual usage of calls.

2. The estimated amount of the relevant rental fees for the year ended 31 March 2016 is RMB2,000,000. The actual amount of the relevant rental fees incurred for the period from 1 April 2015 to 30 September 2015 is approximately RMB976,000.

The relevant Annual Caps for the period commencing on the date of the Acquisition Completion (the "Effective Date") to 31 March 2016 represents the approximate proportionate amount for 4 months (assuming the Effective Date in December 2015) of the estimated transaction amount of RMB2,000,000 for the year ended 31 March 2016. The estimated transaction amount for the year ended 31 March 2016, and the relevant Annual Caps for each of the two years ended 31 March 2018 are estimated based on the latest actual monthly usage of calls and an assumed conservative growth rate of not more than 16% on yearly basis (as compared to the historical yearly growth).

Taking into account (i) the relevant historical rental fees, indicating an increasing demand for customer hotline services by the Target Group; and (ii) the possible increase in demand for customer hotline services as the business of the Target Group continues to develop, we consider that the relevant Annual Caps for the transactions contemplated under the Customer Service Hotline Rental Contract are fair and reasonable. Also taking into account the subscription of the customer service hotline under the Customer Service Hotline Rental Contract is essential for the operations of the Target Group, we consider that the Customer Service Hotline Rental Contract is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

2. *Server Hosting Agreement*

The Server Hosting Agreement dated 1 January 2013 was entered into between CCC (as supplier) and Heilongjiang Shentong (as purchaser) in relation to the provision of server hosting service and dedicated leased lines by CCC to Heilongjiang Shentong.

Pursuant to the Server Hosting Agreement (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, (i) in respect of the 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 (ii) in respect of the dedicated leased lines, CCC will provide designated 300M-bandwidth share of broadband leased lines to Heilongjiang Shentong for the operation of its website, and CCC will also provide 90 IP addresses and not more than ten racks of servers for the use of Heilongjiang Shentong.

Pursuant to the Server Hosting Agreement, CCC will charge a fee of RMB80,000 per month for each server used by Heilongjiang Shentong for the provision of server hosting service and dedicated lease lines. A daily default interest 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.

The monthly rental fee for the server hosting service and dedicated leased lines is in commercial terms determined after arm's length negotiation between CCC and Heilongjiang Shentong with reference to similar transactions carried out in the market and the number of server rented, the bandwidth of the server and the quality of the maintenance service. At present, eight (8) racks of servers were rented by Heilongjiang Shentong.

We understand from the Company that the server and dedicated leased lines are required by Heilongjiang Shentong for data processing and storage. Given that such service is essential to operation of the Target Group, we consider that the provision of server hosting services and dedicated leased lines by CCC is necessary for the existing business of the Target Group.

It is noted that the monthly rental fee under the Server Hosting Agreement is no less favourable than the server hosting fee of a telecommunication company. As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as CCC is the single supplier of server hosting services and dedicated leased lines to the Target Group. In assessing the terms of the Server Hosting Agreement, we have reviewed four server rental agreements (including similar contract indicating payment terms) conducted by CCC with other independent third parties with servers located in Beijing (which we consider are comparable to the Server Hosting Agreement in terms of the nature of services provided and the location of the servers), and found that (i) the fees charged by CCC to Heilongjiang Shentong under the Server Hosting Agreement are equal to or lower than the fees charged by CCC to independent third parties; and (ii) other payment terms under the Server Hosting Agreement are substantially the same as those terms available to independent third parties. Given that the server rental fee charged by CCC to Heilongjiang Shentong is equal to or lower than the fees charged by CCC to independent third parties, we are of the view that the fees charged by CCC under the Server Hosting Agreement and other payment terms are fair and reasonable.

Notwithstanding the reliance on CCC as the single supplier of server hosting services and dedicated leased lines to Heilongjiang Shentong, Heilongjiang Shentong has been engaging CCC for since its commencement of business operations for the provision of server hosting services and dedicated leased lines with stability and relevant technical support if necessary, which is necessary for the existing business of the Target Group. Accordingly, we consider that the Server Hosting Agreement would enable smooth operations of the Target Group, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the Server Hosting Agreement, we consider, among others, the relevant historical rental fees as set out below:

Historical rental fees	*RMB*
For the year ended 31 March 2014	7,680,000
For the year ended 31 March 2015	7,680,000
Annual Caps	
From Effective Date to 31 March 2016 *(Note)*	2,560,000
For the year ending 31 March 2017	9,600,000
For the year ending 31 March 2018	9,600,000

Note: The estimated amount of the relevant rental fees for the year ended 31 March 2016 is RMB7,680,000. The actual amount of the relevant rental fees incurred for the period from 1 April 2015 to 30 September 2015 is RMB3,840,000.

The relevant Annual Caps for the period from the Effective Date to 31 March 2016 represents the proportionate amount for 4 months (assuming the Effective Date in December 2015) of the estimated transaction amount of RMB7,680,000 for the year ended 31 March 2016, which is equal to the relevant historical rental fees for the year ended 31 March 2015.

The relevant Annual Caps of RMB9,600,000 for each of the year ended 31 March 2017 and 31 March 2018 is estimated based on the relevant historical amount for the year ended 31 March 2015 (during which eight racks of servers was in use) and the possible utilisation of ten racks of servers (being the maximum number of racks of servers provided at RMB80,000 per server per month under the Server Hosting Agreement) in the event that there is higher demand for the services as the business of the Target Group develops. In such case, we consider that the buffer for the relevant Annual Caps is necessary.

Based on the above, we consider that the relevant Annual Caps are fair and reasonable. Also taking into account the server hosting service and dedicated leased lines are necessary for the business operations of the Target Group, we consider that the transactions contemplated under the Server Hosting Agreement is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

3. *Web Advertising Contract (Heilongjiang Shentong) and Web Advertising Contract (Daqing Shentong)*

In respect of the provision of web advertising by China Communication Heilongjiang to the Target Group, China Communication Heilongjiang (as supplier) entered into:

(a) the Web Advertising Contract (Heilongjiang Shentong) dated 1 March 2013 with Heilongjiang Shentong (as purchaser); and

(b) the Web Advertising Contract (Daqing Shentong) dated 1 April 2014 with Daqing Shentong (as purchaser).

The nature of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) are principally the same.

Subject to each of the Web Advertising Contract (Heilongjiang Shentong) (as amended and supplemented by a supplemental agreement dated 8 December 2015) and the Web Advertising Contract (Daqing Shentong) (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, Heilongjiang Shentong or Daqing Shentong (as the case may be) agreed to place and China Communication Heilongjiang agreed to arrange for web advertisements of Heilongjiang Shentong or Daqing Shentong (as the case may be) be published on the internet. 24-hour technical support services shall also be provided by China Communication Heilongjiang to Heilongjiang Shentong or Daqing Shentong (as the case may be) to handle all technical issues arising out of the publication of the advertisements.

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

- 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%.
- 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%.
- 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%.
- 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%.
- 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%.

Each of Heilongjiang Shentong and Daqing Shentong confirms that the advertising fees to be charged by China Communication Heilongjiang for each advertisement to be placed by Heilongjiang Shentong or Daqing Shentong (as the case may be) shall be determined according to the proposed publication timeslots and duration.

At present, the web advertisements are for marketing and promotion of courses and competitions, and as China Communication Heilongjiang has extensive relevant experience, the Target Group considers that the web advertisements on the website of China Communication Heilongjiang is the most effective way to promote the training courses and competitions held by the Target Group, the payment method of which is via the CRC Shentong Cards, as the website has high concentration of potential customers, and there is no similar transaction conducted between the Target Group and other independent third parties as China Communication Heilongjiang is the single supplier of web advertisements to the Target Group.

In assessing the terms of each of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong), we have reviewed five web advertising contracts (indicating payment terms) conducted by China Communication Heilongjiang (which we consider are comparable to the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) in terms of the nature of services provided), and we found that pricing basis of advertising fees for different publication timeslots charged by China Communication Heilongjiang to Heilongjiang Shentong or Daqing Shentong (as the case may be) is the same as those charged by China Communication Heilongjiang to independent third parties. Therefore, we are of the view that the fees charged by China Communication Heilongjiang and other payment terms under the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) are fair and reasonable.

Notwithstanding the reliance on China Communication Heilongjiang as the single supplier of web advertisements, as the Target Group has been engaging China Communication for web advertisements since its commencement of business operations, we consider that the provision of web advertising services under the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) would represent one of the feasible marketing means for promoting the training courses and competitions of the Target Group, the payment method of which is via the CRC Shentong Cards, and thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under each of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong), we consider, among others, the relevant historical advertising fees as set out below:

Historical advertising fees	**Under the Web Advertising Contract (Heilongjiang Shentong)** *RMB*	**Under the Web Advertising Contract (Daqing Shentong)** *RMB*
For the year ended 31 March 2014	1,896,091 *(Note 1)*	nil
For the year ended 31 March 2015	5,621,115 *(Note 1)*	2,145,000
Annual Caps		
From Effective Date to 31 March 2016	700,000 *(Note 2)*	17,000 *(Note 3)*
For the year ending 31 March 2017	2,250,000	50,000
For the year ending 31 March 2018	2,450,000	50,000

Notes:

1. The amount of the relevant advertising fees paid by Heilongjiang Shentong to China Communication Heilongjiang of approximately RMB5,621,115 for the year ended 31 March 2015 represents an increase of approximately 196.46% as compared to approximately RMB1,896,091 for the year ended 31 March 2014. As advised by the Company, the increase was mainly due to the increase in advertising activities which was in line with the increase in revenue during the relevant period.

2. The estimated amount of the relevant advertising fees for the year ended 31 March 2016 is RMB2,100,000. The actual amount of the relevant advertising fees incurred for the period from 1 April 2015 to 30 September 2015 is RMB993,000.

3. The estimated amount of the relevant advertising fees for the year ended 31 March 2016 is RMB50,000. The actual amount of the relevant advertising fees incurred for the period from 1 April 2015 to 30 September 2015 is nil.

For the period from the Effective Date to 31 March 2016,

(i) the relevant Annual Caps of RMB700,000 under the Web Advertising Contract (Heilongjiang Shentong) represents the proportionate amount for 4 months (assuming the Effective Date in December 2015) of the estimated transaction amount of RMB2,100,000 for the year ended 31 March 2016; and

(ii) the relevant Annual Caps of RMB17,000 under the Web Advertising Contract (Daqing Shentong) represents the proportionate amount for 4 months (assuming the Effective Date in December 2015) of the estimated transaction amount of RMB50,000 for the year ended 31 March 2016.

The estimated transaction amount for the year ended 31 March 2016 under each of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) represents the respective advertising budget with the reference to the decrease in relevant average advertising costs for the recent months as compared to the previous financial year.

The relevant Annual Caps for the Web Advertising Contract (Heilongjiang Shentong) for each of the year ended 31 March 2017 and 2018 represent the respective advertising budget for the respective year, with an increased budget for transactions contemplated under the Web Advertising Contract (Heilongjiang Shentong) of not more than 10% on yearly basis as buffer for advertising costs as the business of the Target Group develops, while the budget for transactions contemplated under the Web Advertising Contract (Daqing Shentong) remain unchanged.

Taking into account (i) the relevant historical advertising fees for the year ended 31 March 2015 and the actual transaction amount for recent months; (ii) the expected budget increase for advertising as the business of the Target Group develops; (iii) the principal business of the Target Group in the promotion, sales and management of the CRC Shentong Cards facilitated by the provision of education and training courses and CRC competition events; and (iv) the advertising on the website of China Communication Heilongjiang regarded as an effective way of marketing relating to the business operation of the Target Group, we consider that each of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong) is in the ordinary and usual course of business of the Target Group and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion, and the terms of each of the Web Advertising Contract (Heilongjiang Shentong) and the Web Advertising Contract (Daqing Shentong), including the relevant Annual Caps, are on normal commercial terms and fair and reasonable.

4. *Heilongjiang Shentong CRC Shentong Card Payment System Contract and Daqing Shentong CRC Shentong Card Payment System Contract*

In respect of the provision of the services relating Shentong Card Payment System by CCC to the Target Group, CCC (as supplier) entered into:

(a) the Heilongjiang Shentong CRC Shentong Card Payment System Contract dated 1 January 2013 with Heilongjiang Shentong (as purchaser); and

(b) the Daqing Shentong CRC Shentong Card Payment System Contract dated 1 June 2014 with Daqing Shentong (as purchaser).

The nature of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract is principally the same.

Pursuant to each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract (as amended and supplemented by a supplemental agreement dated 15 September 2015 and a further supplemental agreement dated 21 November 2015) and the Daqing Shentong CRC Shentong Card Payment System Contract (as amended and supplemented by a supplemental agreement dated 21 November 2015), for the period up to 31 March 2018, CCC shall provide Heilongjiang Shentong or Daqing Shentong (as the case may be) the right to use Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

Pursuant to each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract, (i) Heilongjiang Shentong or Daqing Shentong (as the case may be) 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 CRC Shentong Card integrated payment management system to CCC; (ii) CCC is required to pay RMB4.5 million clearing security deposit (結算保證金) to Heilongjiang Shentong or RMB0.5 million clearing security deposit (結算保證金) to Daqing Shentong (as the case may be); and (iii) CCC and Heilongjiang Shentong or Daqing Shentong (as the case may be) shall undergo settlement reconciliation within seven calendar days after the end of the relevant month and CCC shall pay to Heilongjiang Shentong or Daqing Shentong (as the case may be) within 30 calendar days after the end of the relevant month for settlement of the funds.

We understand from the Company that the Target Group has been receiving income from training courses and competitions, being its major income sources, via the CRC Shentong Cards. As disclosed in the chapter headed "INFORMATION ON THE TARGET GROUP" in the Circular, 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.

Given that such service is important to the business operations of the Target Group, we consider that the provision of the CRC Shentong Card management system is necessary for the existing business of the Target Group.

It is noted that the charging rate under the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract is comparable to the charging rate of an electronic payment service company. As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as CCC is the single supplier of electronic payment management system to the Target Group. Therefore, in assessing the terms of each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract (including the relevant Annual Caps), we have reviewed four Shentong Card payment system contracts (with similar payment terms) conducted by CCC with other independent third parties (which we consider are comparable to the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract in terms of the nature of services provided), and found that (i) the charging rate offered by CCC to Heilongjiang Shentong or Daqing Shentong (as the case may be) under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract are lower than or equal to those offered by CCC to independent third parties; and (ii) other payment terms under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract are substantially the same as those under the Shentong Card payment system contracts (with similar payment terms) conducted by CCC with other independent third parties.

Taken into consideration that (i) the charging rate offered by CCC to Heilongjiang Shentong or Daqing Shentong (as the case may be) is lower than or equal to those offered by CCC to independent third parties, we are of the view that the charging rate and other payment terms under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract are fair and reasonable.

Notwithstanding the heavy reliance on CCC as the single supplier of electronic payment system management services to the Target Group, as Heilongjiang Shentong or Daqing Shentong (as the case may be) has been engaging CCC for since its commencement of business operations for the provision of electronic payment system management services, which is necessary for the existing business of the Target Group, we consider that each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract would enable smooth operations of the Target Group, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract respectively, we consider, among others, the relevant historical management fees paid by Heilongjiang Shentong or Daqing Shentong (as the case may be) to CCC as set out below:

Historical management fees	**Under Heilongjiang Shentong CRC Shentong Card Payment System Contract**	**Under Daqing Shentong CRC Shentong Card Payment System Contract**
	RMB	*RMB*
For the year ended 31 March 2014	1,792,757 *(Note 1)*	nil
For the year ended 31 March 2015	2,998,687 *(Note 1)*	264,440
Annual Caps		
From Effective Date to 31 March 2016	1,200,000 *(Note 2)*	180,000 *(Note 3)*
For the year ending 31 March 2017	3,400,000	450,000
For the year ending 31 March 2018	4,400,000	550,000

Notes:

1. The amount of the relevant management fees paid by Heilongjiang Shentong to CCC of approximately RMB2,998,687 for the year ended 31 March 2015 represents an increase of approximately 67.27% as compared to approximately RMB1,792,757 for the year ended 31 March 2014. As advised by the Company, the increase was mainly due to the increase in income from training courses and admission fees of competitions held by the Target Group.

2. The estimated amount of the relevant management fees for the year ended 31 March 2016 is RMB2,800,000. The actual amount of the management fees incurred for the period from 1 April 2015 to 30 September 2015 is approximately RMB1,164,000.

3. The estimated amount of the relevant management fees for the year ended 31 March 2016 is RMB350,000. The actual amount of the management fees incurred for the period from 1 April 2015 to 30 September 2015 is approximately RMB102,000.

The estimated transaction amount for the period from the Effective Date to 31 March 2016, and each of the years ended 31 March 2017 and 2018 under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract are basically estimated based on 6% of the projected income received via the CRC Shentong Cards, and accordingly, the corresponding relevant management fees payable by Heilongjiang Shentong or Daqing Shentong (as the case may be) to CCC for the relevant period.

We note that the estimated transaction amount under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract (as the case may be) for each of the years ended 31 March 2016, 2017 and 2018 represents a growth rate of not more than 30%. Taking into account the historical growth rate of approximately 67.27%, we consider that the Annual Caps are fair and reasonable.

Taking into account (i) the relevant historical management fees, indicating an increasing trend due to the increase in income from training courses and admission fees of competitions held by the Target Group received via the CRC Shentong Cards; and (ii) the projected income to be received via the CRC Shentong Cards and the corresponding relevant management fees payable by Heilongjiang Shentong or Daqing Shentong (as the case may be), we consider that the relevant Annual Caps for the transactions contemplated under each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract are fair and reasonable. Also taking into account the CRC Shentong Card payment system is incidental to the existing business operations of the Target Group, we consider that each of the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the Daqing Shentong CRC Shentong Card Payment System Contract is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

5. *Website Maintenance Contract*

The Website Maintenance Contract dated 1 January 2013 was entered into between China Communication Heilongjiang (as supplier) and Heilongjiang Shentong (as purchaser) for the provision of website maintenance services.

Pursuant to the Website Maintenance Contract (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, (i) 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 Heilongjiang Shentong; and (ii) China Communication Heilongjiang charges Heilolngjiang Shentong a monthly fee of RMB0.45 million.

As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as China Communication Heilongjiang is the single supplier of website maintenance services to the Target Group. Therefore, in assessing the terms of the Website Maintenance Contract (including the relevant Annual Caps), we have reviewed one website maintenance contract (with similar payment terms) conducted by China Communication Heilongjiang with another independent third party (which we consider is comparable to the Website Maintenance Contract in terms of the nature of services provided, and which is the only comparable contract provided by China Communication Heilongjiang as website maintenance is not a major business of China Communication Heilongjiang), and we found that (i) the price offered by China Communication Heilongjiang to Heilongjiang Shentong under the Website Maintenance Contract is no less favourable than those offered by China Communication Heilongjiang to the other independent third party; and (ii) other payment terms under the Website Maintenance Contract are substantially the same as those under the website maintenance contract (with similar payment terms) conducted by China Communication Heilongjiang with the other independent third party. Given (i) as advised by the Company, according to China Communication Heilongjiang, there is only one website maintenance contract conducted by China Communication Heilongjiang with independent third parties as website maintenance is not its major business; (ii) Heilongjiang Shentong has been engaging China Communication Heilongjiang for website production and maintenance since the commencement of business operations of Heilongjiang Shentong with tailor-made features and capacities which the Target Group considered are suitable for its business and smooth operations; and (iii) the nature of services and the payment terms of the website maintenance contract conducted by China Communication Heilongjiang with the other independent third party are substantially the same as those of the Website Maintenance Contract, we consider that the only website maintenance contract conducted by China Communication Heilongjiang with the other independent third party is sufficient and representative for comparison with the payment terms of the Website Maintenance Contract.

Taken into consideration that the price offered by China Communication Heilongjiang to Heilongjiang Shentong is no less favourable than those offered by China Communication Heilongjiang to the other independent third party, we are of the view that the price and other payment terms under the Website Maintenance Contract are fair and reasonable.

Notwithstanding the reliance on China Communication Heilongjiang as the single supplier of website maintenance services to Heilongjiang Shentong, as Heilongjiang Shentong has been engaging China Communication Heilongjiang for since its commencement of business operations for the provision of website maintenance, which is necessary for the existing business of the Target Group, we consider that the Web Maintenance Contract would enable smooth operations of the Target Group, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the Website Maintenance Contract, we consider, among others, the relevant historical maintenance fees paid by Heilongjiang Shentong to China Communication Heilongjiang as set out below:

Historical maintenance fees	*RMB*
For the year ended 31 March 2014	5,400,000
For the year ended 31 March 2015	5,400,000
Annual Caps	
From Effective Date to 31 March 2016 *(Note)*	1,800,000
For the year ending 31 March 2017	5,400,000
For the year ending 31 March 2018	5,400,000

Note: The estimated amount of the relevant maintenance fees for the year ended 31 March 2016 is RMB5,400,000. The actual amount of the relevant maintenance fees incurred for the period from 1 April 2015 to 30 September 2015 is RMB2,700,000.

The relevant Annual Caps for the period from the Effective Date to 31 March 2016 represents the proportionate amount for 4 months (assuming the Effective Date in December 2015) of the estimated transaction amount of RMB5,400,000 for the year ended 31 March 2016, which in turn is basically estimated based on the aggregate monthly maintenance fee of RMB450,000 per month on a yearly basis. The relevant Annual Caps of RMB5,400,000 for each of the year ended 31 March 2017 and 2018 is equivalent to the aggregate monthly maintenance fee of RMB450,000 per month on a yearly basis.

Taking into account the relevant Annual Caps are estimated based on the aggregate monthly maintenance fees stipulated under the Website Maintenance Contract on a yearly basis, we consider that the relevant Annual Caps for the transactions contemplated under the Website Maintenance Contract are fair and reasonable. Also taking into account the maintenance of website is parcel to the operations of the Target Group, and the fairness and reasonableness of the pricing and payment terms of the Website Maintenance Contract, we consider that the Website Maintenance Contract is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

6. Harbin China Communication Skill Training Venue Rental Agreement

The Harbin China Communication Skill Training Venue Rental Agreement dated 1 March 2013 was entered into between Harbin China Communication Skill Training (as supplier) and Heilongjiang Shentong (as purchaser) for the provision of venues for holding conference or trainings.

Pursuant to the Harbin China Communication Skill Training Venue Rental Agreement (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, Harbin China Communication Skill Training shall provide venue, cleaning services and electricity to Heilongjiang Shentong for holding conference or trainings, and Harbin China Communication Skill Training charges Heilongjiang Shentong:

(i) accommodation charge at daily rate ranging from RMB318 to RMB1,888 with a discount of 20% to 50% according to different type of room and level of management authority respectively;

(ii) conference room leasing fee ranging from RMB1,800 to RMB5,000 for every four hours with a discount of 20% to 50% according to different level of management authority;

(iii) food and beverage and supportive services will be charged on actual usage based on a pre-determined services fee.

As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as Harbin China Communication Skill Training is the single supplier of venues for trainings and conferences to the Target Group. Therefore, in assessing the terms of the Harbin China Communication Skill Training Venue Rental Agreement (including the relevant Annual Caps), we have reviewed two venue rental agreements (with similar payment terms) conducted by Harbin China Communication Skill Training with other independent third parties (which we consider are comparable to the Harbin China Communication Skill Training Venue Rental Agreement in terms of the services provided and the location of the venues), and we found that (i) the price offered by Harbin China Communication Skill Training to Heilongjiang Shentong under the Harbin China Communication Skill Training Venue Rental Agreement are no less favourable than those offered by Harbin China Communication Skill Training to independent third parties; and (ii) other payment terms under the Harbin China Communication Skill Training Venue Rental Agreement are substantially the same as those under the venue rental agreements between Harbin China Communication Skill Training with other independent third parties.

Taken into consideration that the prices offered by Harbin China Communication Skill Training to Heilongjiang Shentong are no less favourable than those offered by Harbin China Communication Skill Training to independent third parties, we are of the view that the price and other payment terms under the Harbin China Communication Skill Training Venue Rental Agreement are fair and reasonable.

Notwithstanding the reliance on Harbin China Communication Skill Training as the single supplier of venues for trainings and conferences to Heilongjiang Shentong, as Heilongjiang Shentong has been engaging Harbin China Communication Skill Training for since its commencement of business operations for the provision of venues for trainings and conferences, which is parcel to the existing business of the

Target Group, we consider that Harbin China Communication Skill Training Venue Rental Agreement would represent provision of suitable venues for the Target Group's operations in holding trainings and conferences, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the Harbin China Communication Skill Training Venue Rental Agreement, we consider, among others, the relevant historical maintenance fees paid by Heilongjiang Shentong to Harbin China Communication Skill Training as set out below:

Historical venue fees	*RMB*
For the year ended 31 March 2014 *(Note 1)*	353,201
For the year ended 31 March 2015 *(Note 1)*	390,179
Annual Caps	
From Effective Date to 31 March 2016 *(Note 2)*	40,000
For the year ending 31 March 2017	55,000
For the year ending 31 March 2018	65,000

Notes:

1. The amount of the relevant venue fees paid by Heilongjiang Shentong to Harbin China Communication Skill Training of approximately RMB390,179 for the year ended 31 March 2015 represents an increase of approximately 10.47% as compared to approximately RMB353,201 for the year ended 31 March 2014. As advised by the Company, the increase was mainly due to the increase in number of conference participants.

2. The estimated amount of the relevant venue fees for the year ended 31 March 2016 is RMB40,000. The actual amount of the relevant venue fees incurred for the period from 1 April 2015 to 30 September 2015 is nil as no conference was convened during the period.

The relevant Annual Caps of RMB40,000 for the period from the Effective Date to 31 March 2016 represents the estimated budget of the Target Group reserved for holding conferences, if and when required, during the period from December 2015 to March 2016 (assuming the Effective Date in December 2015). The relevant Annual Caps for each of the year ended 31 March 2017 and 2018 represents the estimated budget of the Target Group for holding conferences (which is estimated based on the expected number and scale of conferences which might be planned in the relevant financial year). As advised by the Company, as less conferences are expected in the coming years, less budget is required for such functions as compared to the two years ended 31 March 2015.

Taking into account (i) no venue rental was incurred for the period from April to September 2015 and the estimated budget of the Target Group for holding conference(s) during the rest of the financial year ended 31 March 2016; and (ii) less budget is required for holding conferences in the coming years, we consider that the relevant Annual Caps for the transactions contemplated under the Harbin China Communication Skill Training Venue Rental Agreement are fair and reasonable. Also taking into account the provision of venues for trainings and conferences are parcel to the operations of the Target Group, we consider that the Harbin China Communication Skill Training Venue Rental Agreement is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

7. China Communication Heilongjiang Bin County Branch Venue Rental Contract

The China Communication Heilongjiang Bin County Branch Venue Rental Contract dated 1 March 2013 was entered into between China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong for the provision of venues for competitions.

Pursuant to the terms of the China Communication Heilongjiang Bin County Branch Venue Rental Contract (as amended and supplemented by a supplemental agreement dated 8 December 2015), for the period up to 31 March 2018, China Communication Heilongjiang Bin County Branch shall provide venues to Heilongjiang Shentong for holding of competitions, and China Communication Heilongjiang Bin County Branch charges Heilongjiang Shentong rental at a rate of RMB25,000 per hour.

As advised by the Company, there is no similar transaction conducted between the Target Group and other independent third parties as China Communication Heilongjiang Bin County Branch is the single supplier of venues for competitions to the Target Group. Therefore, in assessing the terms of the China Communication Heilongjiang Bin County Branch Venue Rental Contract (including the relevant Annual Caps), we have reviewed two venue rental agreements (with similar payment terms) conducted by China Communication Heilongjiang Bin County Branch with other independent third parties (which we consider are comparable to the China Communication Heilongjiang Bin County Branch Venue Rental Contract in terms of the services provided and the location of the venues, and found that (i) the price offered by China Communication Heilongjiang Bin County Branch to Heilongjiang Shentong under the China Communication Heilongjiang Bin County Branch Venue Rental Contract are lower than or equal to those offered by China Communication Heilongjiang Bin County Branch to independent third parties; and (ii) other payment terms under the China Communication Heilongjiang Bin County Branch Venue Rental Contract are substantially the same as those under the venue rental agreements between China Communication Heilongjiang Bin County Branch with other independent third parties.

Taken into consideration that the price offered by China Communication Heilongjiang Bin County Branch to Heilongjiang Shentong is no less favourable than those offered by China Communication Heilongjiang Bin County Branch to independent third parties, we are of the view that the price and other payment terms under the China Communication Heilongjiang Bin County Branch Venue Rental Contract are fair and reasonable.

Notwithstanding the reliance on China Communication Heilongjiang Bin County Branch as the single supplier of venues for competitions to Heilongjiang Shentong. As Heilongjiang Shentong has been engaging China Communication Heilongjiang Bin County Branch for since its commencement of business operations for the provision of venues for competitions, which is parcel to the existing business of the Target Group, we consider that the China Communication Heilongjiang Bin County Branch Venue Rental Contract represents the provision of suitable venues for the Target Group's operations in holding competitions, and is thus in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

In assessing the fairness and reasonableness of the relevant Annual Caps for the transactions under the China Communication Heilongjiang Bin County Branch Venue Rental Contract, we consider, among others, the relevant historical venue fees paid by Heilongjiang Shentong to China Communication Heilongjiang Bin County Branch as set out below:

Historical venue fees	*RMB*
For the year ended 31 March 2014 *(Note 1)*	820,000
For the year ended 31 March 2015 *(Note 1)*	510,000
Annual Caps	
From Effective Date to 31 March 2016 *(Note 2)*	200,000
For the year ending 31 March 2017	700,000
For the year ending 31 March 2018	750,000

Notes:

1. The amount of the relevant venue fees paid by Heilongjiang Shentong to China Communication Heilongjiang Bin County Branch of approximately RMB510,000 for the year ended 31 March 2015 represents a decrease of approximately 37.80% as compared to approximately RMB820,000 for the year ended 31 March 2014. As advised by the Company, the decrease was mainly due to the fact that less large-scale competitions are held for the year ended 31 March 2015 leading to the relatively low expenses on competition venues.

2. The estimated amount of the relevant venue fees for the year ended 31 March 2016 is RMB470,000. The actual amount of the relevant venue fees incurred for the period from 1 April 2015 to 30 September 2015 is approximately RMB268,000.

The relevant Annual Caps of RMB200,000 for the period from the Effective Date to 31 March 2016 represents an estimated monthly rental of RMB50,000 for each of the 4 months from December 2015 to March 2016 (assuming the Effective Date in December 2015), which in turn is basically estimated based on the actual monthly average rental incurred for recent months of approximately RMB50,000 with competitions held at the venue(s) provided by China Communication Heilongjiang Bin County Branch. As advised by the Company, the decrease in actual monthly average amount of the relevant venue fees incurred for the period from 1 April 2015 to 30 September 2015 was due to the fact that more competitions were held at schools instead of the venue(s) provided by China Communication

Heilongjiang Bin County Branch. The relevant Annual Caps for each of the years ended 31 March 2017 and 2018 is estimated based on the estimated increase in more large-scaled competitions to be held by the Target Group, and thus the increase in budget for venue(s) provided by China Communication Heilongjiang Bin County Branch. Taking into account the actual monthly average rental incurred of approximately RMB50,000 for recent months and the possible increase in more large-scaled competitions to be held by the Target Group as the business of the Target Group develops, we consider that the estimation for the relevant rental fees under the China Communication Heilongjiang Bin County Branch Venue Rental Contract ranging from RMB700,000 to RMB750,000 commercially justifiable.

Taking into account (i) the relevant historical venue fees for recent months; and (ii) the intended planning of the Target Group to convene more large-scaled competitions as the business of the Target Group continues to develop, we consider that the relevant Annual Caps for the transactions contemplated under the China Communication Heilongjiang Bin County Branch Venue Rental Contract are fair and reasonable. Also taking into account the provision of venues for competitions are parcel to the operations of the Target Group, we consider that the China Communication Heilongjiang Bin County Branch Venue Rental Contract is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Acquisition (which is in line with the existing business and business development of the Group), the Placing Specific Mandate and the Subscription Specific Mandate, which are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the terms of the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate are on normal commercial terms and fair and reasonable; and (ii) each of the CCT Agreements is in the ordinary and usual course of business of the Enlarged Group and in the interests of the Company and the Shareholders as a whole assuming Acquisition Completion, and the terms of each of the CCT Agreements (including the relevant Annual Caps) are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Sale and Purchase Agreement, the Placing Specific Mandate and the Subscription Specific Mandate, and the CCT Agreements (including the relevant Annual Caps).

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

Ms. Po Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a responsible officer of Nuada Limited and has over 14 years of experience in corporate finance industry.

FINANCIAL SUMMARY

The consolidated financial information of the Group for the six months ended 30 September 2015 and the three years ended 31 March 2015 together with the relevant notes to the consolidated financial statements of the Group can be found from pages 9 to 25 of the interim report of the Company for the six months ended 30 September 2015; pages 29 to 66 of the annual report of the Company for the year ended 31 March 2015; pages 29 to 68 of the annual report of the Company for the year ended 31 March 2014; and pages 30 to 72 of the annual report of the Company for the year ended 31 March 2013, respectively. The said interim and annual reports of the Company are available on the Company's website (http://www.ccpi.com.hk) and the Stock Exchange (http://www.hkexnews.hk).

A. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Enlarged Group had unsecured promissory note payable to CCI which was non-trade nature amounting to approximately HK$101,324,000 included in non-current liabilities, acquisition consideration of Daqing Shentong payable which was non-trade nature amounting to approximately HK$1,531,000 included in current liabilities, and Service Fee payable to CCI which was non-trade nature amounting to approximately HK$350,000,000 included in current liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 November 2015.

The Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 30 November 2015, the date of which the statement of indebtedness is made and up to the Latest Practicable Date.

B. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that the Enlarged Group will, taking into account the financial resources available to the Enlarged Group, including internally generated funds, the available banking facilities and also the proceeds from the Placing and Subscription, have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

C. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest audited financial statements of the Group were made up.

D. BUSINESS OUTLOOK AND PROSPECTS OF THE ENLARGED GROUP

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited revenue and gross profit from continuing operation of the Enlarged Group for the year ended 31 March 2015 were approximately HK$115,074,000 and HK$65,338,000 respectively.

The Company has been principally engaged in the business in the promotion and management services for the Designated Shentong Cards in 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. The Directors believe that the Acquisition will complement the existing business of the Company, and that the Company will experience significant growth potential and synergies with the Acquisition.

The Acquisition will allow the Company to extend its business in marketing, sales and management services for Designated Shentong Cards to a broader market segment, namely students that participate in the CRC training courses. The Acquisition is in line with the Board's development strategy to deploy their strengths and capabilities to expand the revenue base of the Company and capture new opportunities offered by the prosperity of PRC market since March 2010 when the Company acquired Shentong Yijia.

In view of the benefits of the Acquisition, the Directors believe that the Acquisition is in the interest of the Company and its Shareholders as a whole.

E. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for the three years ended 31 March 2015 and the interim report of the Company for the six months ended 30 September 2015. Terms used below shall have the same meanings as defined in the aforesaid reports.

For the year ended 31 March 2013

Revenue and profitability

The Group recorded a turnover of approximately HK$34,495,000 (2012: HK$33,102,000) for the year ended 31 March 2013, representing an increase of approximately 4.2% as compared with 2011/12. All of the turnover for the year ended 31 March 2013 and 2012 were attributable to the provision of promotion and management services for an electronic smart card, the Designated Shentong Card, the operation of the e-Sports platform and distribution of computer games in the PRC.

The Group's gross profit for the year ended 31 March 2013 amounted to approximately HK$20,208,000 as compared to a profit of approximately HK$20,393,000 for the year ended 31 March 2012.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2013 was approximately HK$31,959,000 as compared to approximately HK$27,952,000 for the year ended 31 March 2012. The increase of the expenses was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Designated Shentong Card.

Other operating expenses for the year ended 31 March 2012 amounted to approximately HK$11,467,000 was attributable to the impairment of intangible assets. No impairment was charged for the year ended 31 March 2013.

Net loss attributable to owners of the company

The Group made a net loss attributable to owners of approximately HK$14,270,000 for the year ended 31 March 2013 as compared to a profit of approximately HK$163,794,000 for the year ended 31 March 2012. Excluding the net effect on the gain on disposal of a subsidiary, the waiver of coupon interest and other operating expenses for the year ended 31 March 2012, the Group's net loss for this year was increased by approximately HK$4,037,000 as compared to approximately HK$10,233,000 for previous year. This was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Designated Shentong Card.

Liquidity and financial resources

As at 31 March 2013, the Group had outstanding promissory notes at a nominal value of approximately HK$94.4 million (as at 31 March 2012: HK$98.7 million) with carrying value of approximately HK$96.3 million (as at 31 March 2012: HK$99.3 million).

The promissory notes were originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before the New Maturity Date, the Group has the right to further postpone ("Maturity Postponement Right") the maturity date to 30 June 2012 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of such principal and accrued interest would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory notes, the Group did not have any other committed borrowing facilities as at 31 March 2013 (as at 31 March 2012: HK$Nil).

As at 31 March 2013, the Group had net current assets of approximately HK$53.6 million (as at 31 March 2012: approximately HK$32.1 million). The Group's current assets consisted of cash and cash equivalents of approximately HK$59.2 million (as at 31 March 2012: approximately HK$38.4 million), prepayments, deposits and other receivables of approximately HK$7.0 million (as at 31 March 2012: approximately HK$4.3 million). The Group's current liabilities included accruals and other payables of approximately HK$1.7 million (as at 31 March 2012: HK$0.9 million), current tax liabilities of approximately HK$10.9 million (as at 31 March 2012: HK$9.7 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.47 as at 31 March 2013 as compared to 1.87 as at 31 March 2012.

The Group generally finances its operations and investment activities with internal resources.

Capital structure

During the year, 100,000,000 new ordinary shares were issued and allotted by way of placing in March 2013.

Charge on assets

The Group did not have any charge on its assets as at 31 March 2013 and 31 March 2012.

Staff costs

As at 31 March 2013, the Group had 66 employees (2012: 66). The staff costs for the year ended 31 March 2013 was approximately HK$9.9 million (2012: HK$10.8 million). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

As at 31 March 2013, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

Foreign currency risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2013 and 31 March 2012.

For the year ended 31 March 2014

Revenue and profitability

The Group recorded a turnover of approximately HK$38,865,000 (2013: approximately HK$34,495,000) for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared to 2012/13. All of the turnover for the years ended 31 March 2014 and 2013 were attributable to the provision of promotion and management services for an electronic smart card, the Designated Shentong Card in the PRC.

The Group's gross profit for the year ended 31 March 2014 amounted to approximately HK$26,850,000 as compared to approximately HK$20,208,000 for the year ended 31 March 2013. The increase was mainly attributable to the increase in turnover of Designated Shentong Card and the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2014 was approximately HK$32,024,000 as compared to approximately HK$31,959,000 for the year ended 31 March 2013.

Net loss attributable to owners of the company

The Group made a net loss attributable to owners of approximately HK$9,113,000 for the year ended 31 March 2014 as compared to approximately HK$14,270,000 for the year ended 31 March 2013. The decrease was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

Liquidity and financial resources

During the year under review, the Company had no fund raising activities.

As at 31 March 2014, the Group had outstanding promissory note at a nominal value of approximately HK$94.4 million (as at 31 March 2013: approximately HK$94.4 million) with carrying value of approximately HK$98.2 million (as at 31 March 2013: approximately HK$96.3 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before the New Maturity Date, the Group has the right to further postpone ("Maturity Postponement Right") the maturity date to 30 June 2012 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of such principal and accrued interests would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2014 (as at 31 March 2013: HK$Nil).

As at 31 March 2014, the Group had net current assets of approximately HK$48.9 million (as at 31 March 2013: approximately HK$53.6 million). The Group's current assets consisted of cash and cash equivalents of approximately HK$51.7 million (as at 31 March 2013: approximately HK$59.2 million), prepayments, deposits and other receivables of approximately HK$11.2 million (as at 31 March 2013: approximately HK$7.0 million). The Group's current liabilities include accruals and other payables of approximately HK$2.0 million (as at 31 March 2013: approximately HK$1.7 million), current tax liabilities of approximately HK$12.0 million (as at 31 March 2013: approximately HK$10.9 million).

The Group generally finances its operations and investment activities with internal resources.

Gearing ratio

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.64 as at 31 March 2014 as compared to 1.47 as at 31 March 2013.

Capital structure

There was no change in the capital structure during the year ended 31 March 2014.

Charge on Assets

The Group did not have any charge on its assets as at 31 March 2014 and 31 March 2013.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2014, the Group had 85 employees (2013: 66). The staff costs for the year ended 31 March 2014 was approximately HK$10.0 million (2013: approximately HK$9.9 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

Material Investment or Capital Assets

For the year ended 31 March 2014, the Group had no significant investment. As at 31 March 2014, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

There was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2014.

Foreign Currency Risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2014 and 31 March 2013.

For the year ended 31 March 2015

Revenue and profitability

The Group recorded a revenue of approximately HK$38,484,000 (2014: HK$38,865,000) for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to 2013/14. All of the revenue for the years ended 31 March 2015 and 2014 were attributable to the provision of promotion and management services for an electronic smart card, the Designated Shentong Card in the PRC.

The Group's gross profit for the year ended 31 March 2015 amounted to approximately HK$27,007,000 as compared to approximately HK$26,850,000 for the year ended 31 March 2014. The increase was mainly attributable to the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2015 was approximately HK$33,511,000 as compared to approximately HK$32,024,000 for the year ended 31 March 2014. The increase was mainly attributable to the increase in staff costs and rental expenses for the year.

Net loss attributable to owners of the company

The Group made a net loss attributable to owners of approximately HK$9,871,000 for the year ended 31 March 2015 as compared to approximately HK$9,113,000 for the year ended 31 March 2014. The increase was mainly attributable to the slight decrease in revenue of Shentong Card and the increase in staff costs and rental expenses for the year.

Liquidity and financial resources

During the year under review, the Company had no fund raising activities.

As at 31 March 2015, the Group had outstanding promissory note at a nominal value of approximately HK$94.4 million (as at 31 March 2014: approximately HK$94.4 million) with carrying value of approximately HK$100.1 million (as at 31 March 2014: approximately HK$98.2 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before the New Maturity Date, the Group has the right to further postpone ("Maturity Postponement Right") the maturity date to 30 June 2012 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of such principal and accrued interests would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2015 (as at 31 March 2014: HK$Nil).

As at 31 March 2015, the Group had net current assets of approximately HK$42.7 million (as at 31 March 2014: approximately HK$48.9 million). The Group's current assets consisted of cash and cash equivalents of approximately HK$45.2 million (as at 31 March 2014: approximately HK$51.7 million), prepayments, deposits and other receivables of approximately HK$12.3 million (as at 31 March 2014: approximately HK$11.2 million). The Group's current liabilities include accruals and other payables of approximately HK$2.5 million (as at 31 March 2014: approximately HK$2.0 million), current tax liabilities of approximately HK$12.3 million (as at 31 March 2014: approximately HK$12.0 million).

The Group generally finances its operations and investment activities with internal resources.

Gearing ratio

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.89 as at 31 March 2015 as compared to 1.64 as at 31 March 2014.

Capital structure

There was no change in the capital structure during the year ended 31 March 2015.

Charge on assets

The Group did not have any charge on its assets as at 31 March 2015 and 31 March 2014.

Employees, remuneration policies and staff costs

As at 31 March 2015, the Group had 72 employees (2014: 85). The staff costs for the year ended 31 March 2015 was approximately HK$10.5 million (2014: HK$10.0 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

Material investment or capital assets

On 30 July 2014, Shentong Yijia entered into a wealth management agreement with Industrial & Commercial Bank of China, a bank licensed and incorporated under the laws of the PRC. Pursuant to the wealth management agreement, Shentong Yijia subscribed for wealth management product, which are of principal-preservation with floating return in nature, at a subscription amount of RMB10 million (equivalent to approximately HK$12.54 million). The Company utilised its temporarily idle funds for the payment of the subscription amount under the wealth management agreement.

Please refer to the announcement of the Company dated 30 July 2014 for further details.

Save as disclosed above, for the year ended 31 March 2015, the Group had no significant investment. As at 31 March 2015, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

Material acquisitions or disposals of subsidiaries and affiliated companies

There was no material acquisitions or disposal of subsidiaries and affiliated companies during the year ended 31 March 2015.

Foreign currency risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2015 and 31 March 2014.

For the six months ended 30 September 2015

Revenue and profitability

The Group recorded a revenue of approximately HK$16,685,000 (2014: HK$20,232,000) for the six months ended 30 September 2015, representing a decrease of approximately 17.5% as compared to the six months ended 30 September 2014. All of the revenue for the six months ended 30 September 2015 and 2014 were attributable to the provision of promotion and management services for an electronic smart card, the Designated Shentong Card in the PRC.

The Group's gross profit for the six months ended 30 September 2015 amounted to approximately HK$11,060,000 as compared to approximately HK$14,351,000 for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in revenue derived from promotion and management services for Shentong Card.

Selling and distribution expenses and administrative expenses for the six months ended 30 September 2015 was approximately HK$18,163,000 as compared to approximately HK$16,783,000 for the six months ended 30 September 2014. The increase was mainly attributable to the increase in operating lease charges for land and buildings and auditor's remuneration.

Net loss attributable to owners of the company

The Group made a net loss attributable to owners of approximately HK$8,425,000 for the six months ended 30 September 2015 as compared to approximately HK$4,310,000 for the six months ended 30 September 2014. The increase was mainly due to the decline in revenue and gross profit.

Liquidity and financial resources

During the year under review, the Company had no fund raising activities.

As at 30 September 2015, the Group had outstanding promissory note at a nominal value of approximately HK$94.4 million (as at 31 March 2015: approximately HK$94.4 million) with carrying value of approximately HK$101.0 million (as at 31 March 2015: approximately HK$100 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum. On 30 September 2015, the Group and CCI, being the noteholder, agreed to extend the maturity date from 30 June 2016 to 30 June 2017. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2015 (as at 31 March 2015: HK$Nil).

As at 30 September 2015, the Group had net current assets of approximately HK$35.9 million (as at 31 March 2015: approximately HK$42.7 million). The Group's current assets consisted of cash and cash equivalents of approximately HK$43.3 million (as at 31 March 2015: approximately HK$45.2 million), prepayments, deposits and other receivables of approximately HK$7.4 million (as at 31 March 2015: approximately HK$12.3 million). The Group's current liabilities include accruals and other payables of approximately HK$2.5 million (as at 31 March 2015: approximately HK$2.5 million), current tax liabilities of approximately HK$12.3 million (as at 31 March 2015: approximately HK$12.3 million).

The Group generally finances its operations and investment activities with internal resources.

Gearing ratio

The gearing ratio, defined as the ratio of total liabilities to total assets, was 2.20 as at 30 September 2015 as compared to 1.89 as at 31 March 2015.

Capital structure

There was no change in the capital structure during the six months ended 30 September 2015.

Charge on assets

The Group did not have any charge on its assets as at 30 September 2015 and 31 March 2015.

Employees, remuneration policies and staff costs

As at 30 September 2015, the Group had 74 employees (2014: 98). The staff costs for the six months ended 30 September 2015 was approximately HK$5.0 million (six months ended 30 September 2014: approximately HK$4.9 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

Material investment or capital assets

The Group is constantly looking for suitable investment to enhance the shareholder's value.

Material acquisitions or disposals of subsidiaries and affiliated companies

There was no material acquisitions or disposal of subsidiaries and affiliated companies during the six months ended 30 September 2015.

Foreign currency risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2015 and 31 March 2015.

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

31 December 2015

The Board of Directors
China Communication Telecom Services Company Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Copious Link Ventures Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for the period from 29 January 2013 to 31 March 2013, each of the years ended 31 March 2014 and 2015 and the three months ended 30 June 2015 (the "Relevant Periods") for inclusion in the circular dated 31 December 2015 (the "Circular") issued by China Communication Telecom Services Company Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of the Target Company.

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 26 March 2015 with limited liability and acts as an investment holding company. As at the date of this report, no statutory financial statements have been prepared for the Target Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below.

All the companies of the Target Group have adopted 31 March as their financial year end date, except for 黑龍江神通文化俱樂部有限公司 ("Heilongjiang Shentong") and 大慶市神通文化俱樂部有限公司, ("Daqing Shentong") which adopt 31 December as their financial year end date as required by the relevant laws in the People's Republic of China (the "PRC").

For the purpose of this report, the management of the Target Group have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "HKFRS Financial Statements") in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information set out in this report has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The management of the Target Group are responsible for the preparation of the HKFRS Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the management of the Target Group have prepared the comparative financial information of the Target Group for the three months ended 30 June 2014 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Target Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 March 2013, 2014 and 2015 and 30 June 2015, and of the Target Group's financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
		2013	2014	2015	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Revenue	*7*	3,250,226	42,074,616	76,590,183	19,187,935	12,828,223
Cost of sales		(4,796,004)	(28,352,497)	(38,259,154)	(8,797,771)	(7,516,392)
Gross (loss)/profit		(1,545,778)	13,722,119	38,331,029	10,390,164	5,311,831
Other income/(expenses)	*8*	1,328	1,172,646	1,224,531	314,638	517,404
Selling and distribution expenses		(4,464)	(690,169)	(2,399,778)	(240,899)	(409,619)
Administrative expenses		(278,857)	(2,565,072)	(4,087,354)	(684,797)	(1,078,562)
(Loss)/profit before tax	*11*	(1,827,771)	11,639,524	33,068,428	9,779,106	4,341,054
Income tax credit/(expenses)	*10*	455,654	(2,962,807)	(8,739,530)	(2,507,209)	(1,159,108)
(Loss)/profit for the year/period attributable to owners of the Target Company		(1,372,117)	8,676,717	24,328,898	7,271,897	3,181,946
Other comprehensive income for the year/period, net of tax						
Item that may be reclassified to profit or loss:						
Exchange differences on translating foreign operations		(16,036)	15,848	(126,090)	(99,260)	(22,566)
Total comprehensive income for the year/period attributable to owners of the Target Company		(1,388,153)	8,692,565	24,202,808	7,172,637	3,159,380

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 June
		2013	**2014**	**2015**	**2015**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Non-current assets					
Goodwill	*14*	—	—	2,142,269	2,142,269
Property, plant and equipment	*15*	—	1,542,151	10,206,330	9,433,000
Deferred tax asset	*26*	462,937	—	—	—
Total non-current assets		462,937	1,542,151	12,348,599	11,575,269
Current assets					
Inventories	*16*	—	7,473	48,245	141,601
Trade receivables	*17*	—	—	375,047	249,844
Prepayment and other receivables	*18*	287	114,266	6,631,025	2,240,804
Loan to Ultimate Parent	*20*	—	—	28,753,594	28,732,042
Amount due from Ultimate Parent	*21*	7,788,134	44,995,598	64,617,255	70,674,530
Amounts due from fellow subsidiaries	*21*	—	1,077,785	3,583,710	3,559,537
Financial assets at fair value through profit or loss	*19*	—	25,385,404	—	—
Bank and cash balances	*22*	1,429,008	2,203,375	3,642,018	820,469
Total current assets		9,217,429	73,783,901	107,650,894	106,418,827
TOTAL ASSETS		9,680,366	75,326,052	119,999,493	117,994,096
EQUITY AND LIABILITIES					
Share capital	*27*	1,243,008	1,243,108	1,243,116	78
Reserves	*29*	(1,388,153)	7,304,412	32,507,220	35,909,638
Total equity		(145,145)	8,547,520	33,750,336	35,909,716

		As at 31 March			As at 30 June
		2013	**2014**	**2015**	**2015**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
LIABILITIES					
Non-current liabilities					
Other payables	*25*	—	—	1,587,698	—
Current liabilities					
Receipt in advance	*23*	57,624	27,489,889	22,018,146	22,001,643
Training course obligation	*24*	7,412,738	19,289,861	15,295,046	12,525,926
Other payables	*25*	166,333	2,116,988	5,001,944	7,816,860
Amounts due to fellow subsidiaries	*21*	1,867,822	13,810,717	35,059,322	32,482,794
Amounts due to related companies	*21*	320,994	1,570,776	2,393,708	2,657,373
Current tax liabilities		—	2,500,301	4,893,293	4,599,784
Total current liabilities		9,825,511	66,778,532	84,661,459	82,084,380
TOTAL EQUITY AND LIABILITIES		9,680,366	75,326,052	119,999,493	117,994,096

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Merger reserve	Foreign currency translation reserve	Statutory reserve	Retained profits/ (Accumulated losses)	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(note 27)	*(note 29(b)(i))*	*(note 29(b)(ii))*	*(note 29(b)(iii))*	*(note 29(b)(iv))*		
At 29 January 2013	—	—	—	—	—	—	—
Issue of shares	1,243,008	—	—	—	—	—	1,243,008
Total comprehensive income for the period	—	—	—	(16,036)	—	(1,372,117)	(1,388,153)
Changes in equity for the period	1,243,008	—	—	(16,036)	—	(1,372,117)	(145,145)
At 31 March 2013	1,243,008	—	—	(16,036)	—	(1,372,117)	(145,145)
At 1 April 2013	1,243,008	—	—	(16,036)	—	(1,372,117)	(145,145)
Issue of shares	100	—	—	—	—	—	100
Total comprehensive income for the year	—	—	—	15,848	—	8,676,717	8,692,565
Transfer to statutory reserve	—	—	—	—	625,547	(625,547)	—
Changes in equity for the year	100	—	—	15,848	625,547	8,051,170	8,692,665
At 31 March 2014	1,243,108	—	—	(188)	625,547	6,679,053	8,547,520

	Share capital *HK$* *(note 27)*	Capital reserve *HK$* *(note 29(b)(i))*	Merger reserve *HK$* *(note 29(b)(ii))*	Foreign currency translation reserve *HK$* *(note 29(b)(iii))*	Statutory reserve *HK$* *(note 29(b)(iv))*	Retained profits/ (Accumulated losses) *HK$*	Total *HK$*
At 1 April 2014	1,243,108	—	—	(188)	625,547	6,679,053	8,547,520
Issue of shares	8	—	—	—	—	—	8
Total comprehensive income for the year	—	—	—	(126,090)	—	24,328,898	24,202,808
Capitalisation of amount due to a fellow subsidiary (note 30(b))	—	1,000,000	—	—	—	—	1,000,000
Changes in equity for the year	8	1,000,000	—	(126,090)	—	24,328,898	25,202,816
At 31 March 2015	1,243,116	1,000,000	—	(126,278)	625,547	31,007,951	33,750,336
At 1 April 2015	1,243,116	1,000,000	—	(126,278)	625,547	31,007,951	33,750,336
Effect of group reorganisation	(1,243,038)	—	243,038	—	—	—	(1,000,000)
Total comprehensive income for the period	—	—	—	(22,566)	—	3,181,946	3,159,380
Changes in equity for the period	(1,243,038)	—	243,038	(22,566)	—	3,181,946	2,159,380
At 30 June 2015	78	1,000,000	243,038	(148,844)	625,547	34,189,897	35,909,716
At 1 April 2014	1,243,108	—	—	(188)	625,547	6,679,053	8,547,520
Total comprehensive income for the period (unaudited)	—	—	—	(99,260)	—	7,271,897	7,172,637
Changes in equity for the period (unaudited)	—	—	—	(99,260)	—	7,271,897	7,172,637
At 30 June 2014 (unaudited)	1,243,108	—	—	(99,448)	625,547	13,950,950	15,720,157

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period from 29 January 2013 to 31 March 2013 HK$	Year ended 31 March 2014 HK$	Year ended 31 March 2015 HK$	Three months ended 30 June 2014 HK$ (unaudited)	Three months ended 30 June 2015 HK$
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(1,827,771)	11,639,524	33,068,428	9,779,106	4,341,054
Adjustments for:						
Depreciation	*15*	—	272,420	1,112,019	126,640	765,585
Interest income on bank deposits	*8*	(1,328)	(62,650)	(46,177)	(6,661)	(5,848)
Operating (loss)/profit before working capital changes		(1,829,099)	11,849,294	34,134,270	9,899,085	5,100,791
(Increase)/decrease in inventories		—	(7,473)	331,667	33,279	(93,356)
(Increase)/decrease in trade receivables		—	—	(375,047)	(187,196)	125,203
(Increase)/decrease in prepayment and other receivables		(287)	(113,979)	(6,516,759)	(168,060)	4,390,221
Increase in amount due from Ultimate Parent		(7,788,134)	(37,207,464)	(14,712,323)	(12,708,031)	(6,057,275)
(Increase)/decrease in amounts due from fellow subsidiaries		—	(1,077,785)	(2,505,925)	(1,213,594)	24,173
(Increase)/decrease in financial assets at fair value through profit or loss		—	(25,385,404)	25,385,404	25,385,404	—
Increase/(decrease) in receipt in advance		57,624	27,432,265	(5,471,743)	(2,592,847)	(16,503)
Increase/(decrease) in training course obligation		7,412,738	11,877,123	(9,418,686)	(850,828)	(2,769,120)
Increase in other payables		166,333	1,950,655	1,577,494	1,161,508	1,227,218
Increase in amounts due to fellow subsidiaries		1,867,822	11,942,895	22,248,605	3,520,626	(2,576,528)
Increase in amounts due to related companies		320,994	1,249,782	822,932	245,394	263,665
Cash generated from/(used in) operations		207,991	2,509,909	45,499,889	22,524,740	(381,511)
Income taxes paid		—	—	(6,733,007)	—	(1,452,617)
Net cash generated from/(used in) operating activities		207,991	2,509,909	38,766,882	22,524,740	(1,834,128)

	Note	Period from 29 January 2013 to 31 March 2013 HK$	Year ended 31 March 2014 HK$	Year ended 31 March 2015 HK$	Three months ended 30 June 2014 HK$ (unaudited)	Three months ended 30 June 2015 HK$
CASH FLOWS FROM INVESTING ACTIVITIES						
Loan to Ultimate Parent		—	—	(28,753,594)	—	—
Acquisition of a subsidiary	*30(a)*	—	—	(576,173)	(576,173)	—
Proceeds from transfer of property, plant and equipment to Ultimate Parent	*15*	—	—	1,597,953	1,164,530	—
Purchases of property, plant and equipment	*15*	—	(1,811,457)	(9,531,923)	(32,199)	—
Bank interest received		1,328	62,650	46,177	6,661	5,848
Net cash generated from/(used in) investing activities		1,328	(1,748,807)	(37,217,560)	562,819	5,848
CASH FLOWS FROM FINANCING ACTIVITIES						
Issue of share		1,243,008	100	8	—	—
Payment to Beijing Shentong in relation to Reorganisation		—	—	—	—	(1,000,000)
Net cash generated from/(used in) financing activities		1,243,008	100	8	—	(1,000,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,452,327	761,202	1,549,330	23,087,559	(2,828,280)
Effect of foreign exchange rate changes		(23,319)	13,165	(110,687)	(113,666)	6,731
CASH AND CASH EQUIVALENTS AT 1 APRIL		—	1,429,008	2,203,375	2,203,375	3,642,018
CASH AND CASH EQUIVALENTS AT 31 MARCH/30 JUNE		1,429,008	2,203,375	3,642,018	25,177,268	820,469
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances	*22*	1,429,008	2,203,375	3,642,018	25,177,268	820,469

II. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the British Virgin Islands on 26 March 2015 with limited liability. The address of the registered office of the Target Company is NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands. The Target Company is an investment holding company.

The Target Company and its subsidiaries now comprising the Target Group underwent the Reorganisation as set out in the paragraphs headed "Reorganisation" under the section "Information on the Target Group — History and Development of the Target Group" to the Circular.

Upon completion of the Reorganisation and as at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of subsidiary	**Place and date of incorporation/ establishment**	**Issued and fully paid share/ registered capital**	**Equity interest held**		**Principal activities**	*Note*
			Directly	**Indirectly**		
China Communication Investment (H.K.) Limited ("CCI HK")	Hong Kong 9 April 2013	HK$100	100%	—	Investment holding	*(1)*
Global Luck Investment Limited ("Global Luck")	Hong Kong 3 June 2013	HK$1	—	100%	— ditto —	*(2)*
黑龍江神通文化俱樂部有限公司 ("Heilongjiang Shentong")	PRC 29 January 2013	RMB1,000,000	—	100%	Provision of robot related consultancy services, organisation of robot competition using Shentong Card as main payment medium, conference services and advertising services	*(3)*
大慶市神通文化俱樂部有限公司 ("Daqing Shentong")	PRC 16 June 2011	RMB300,000	—	100%	Provision of robot related consultancy services, organisation of robot competition using Shentong Card as main payment medium	*(4)*

Notes:

(1) The statutory audited financial statements for the period from 9 April 2013 (date of incorporation) to 31 March 2014 and for the year ended 31 March 2015 were audited by RSM Hong Kong.

(2) The statutory audited financial statements for the period from 3 June 2013 (date of incorporation) to 31 March 2014 and for the year ended 31 March 2015 were audited by RSM Hong Kong.

(3) The statutory financial statements of 黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Culture Club Limited*) ("Heilongjiang Shentong") prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance and other related regulations (collectively "PRC GAAP") for the period from 29 January 2013 to 31 December 2013 and the year ended 31 December 2014 were audited by 哈爾濱永業會計師事務所 (Harbin Yong Ye Accounting Firm*), certified public accountants registered in the PRC.

(4) 大慶市神通文化俱樂部有限公司 (Daqing Shentong Culture Club Limited*) ("Daqing Shentong") was formerly known as 大慶市樂知教育咨詢有限責任公司 (Daqing LeZhi Education Consulting Company Limited*). The financial statements prepared in accordance with PRC GAAP for the period from 16 June 2011 (date of incorporation) to 31 May 2014 was audited by 哈爾濱永業會計師事務所 (Harbin Yong Ye Accounting Firm*). There were no audited financial statements prepared in accordance with PRC GAAP after 31 May 2014.

* *English name for identification purpose*

In the opinion of the Target Group management, Profuse Year Limited, a company incorporated in the British Virgin Islands, is the immediate parent of the Target Company; China Communication Group Co., Ltd. (神州通信集團有限公司), a company established under the laws of the PRC, is the ultimate parent ("CCC" or "Ultimate Parent").

2. BASIS OF PREPARATION

(a) Throughout the Relevant Periods, the Financial Information has been prepared in accordance with all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting period beginning on 1 April 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

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

The Target Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2015. The Target Group anticipate that the new and revised HKFRSs will be adopted in its financial statements when they become effective. The Target Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant to the Target Group's operations but not yet effective

HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation[1]
HKAS 27 (Amendment)	Equity method in separate financial statements[1]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 and transition disclosures[1]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Annual improvement to HKFRSs	2012–2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

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

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

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

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

(b) Merger accounting for business combination under common control

Save for the acquisition of Daqing Shentong from third parties which was accounted for by consolidation procedures as set out in note 3(a) and (c) of Section II, all entities comprising the Target Group were under the common control of CCC throughout the Relevant Periods and the Reorganisation process, and the Financial Information of the Target Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the acquisition had occurred from the date when the combining entities first came under the control of CCC.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of CCC.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Target Group structure as at 30 June 2015 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Target Group's accounting policies.

(c) Business combination (other than under common control) and goodwill

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

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

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

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

(e) Property, plant and equipment

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

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

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

Furniture and fixtures	20%
Office equipments	$33\frac{1}{3}$%
Motor vehicles	25%
Training equipments	$33\frac{1}{3}$%

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

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

(f) Operating leases

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(l) Financial liabilities and equity instruments

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

(m) Trade and other payables

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

(n) Equity instruments

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

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

Training course income is recognised when the service is rendered.

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

Competition sponsorship income is recognised when service is rendered.

Revenue from the sales of course materials is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Management fee income is recognised when service is rendered.

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

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

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(q) Taxation

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

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

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

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

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

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

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

(r) Impairment of non-financial assets

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

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

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

(s) Impairment of financial assets

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

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

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

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

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

(t) Provisions and contingent liabilities

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

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

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

As at 31 March 2013, there was no property, plant and equipment. As at 31 March 2014 and 2015 and 30 June 2015, the carrying amount were HK$1,542,151 and HK$10,206,330 and HK$9,443,000, respectively.

(b) Impairment loss for bad and doubtful debts

The Target Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables, other receivables and amounts due from related parties, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 March 2013, 2014 and 2015 and 30 June 2015, there were no impairment loss for bad and doubtful debts.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill at 31 March 2015 and 30 June 2015 was HK$2,142,269 and no impairment provision is required.

(d) Income taxes

Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. For the period from 29 January 2013 to 31 March 2013, HK$455,654 of income tax was credited to profit or loss based on the estimated profit from the Target Group's operations. For the years ended 31 March 2014 and 2015 and three months ended 30 June 2015, HK$2,962,807, HK$8,739,530 and HK$1,159,108 of income tax were charged to profit or loss based on the estimated profit from the Target Group's operations.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities (Renminbi ("RMB") and Hong Kong Dollar). The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, financial assets at fair value through profit or loss, loan to Ultimate Parent, amounts due from Ultimate Parent and amounts due from fellow subsidiaries included in the statement of financial position represents the Target Group's maximum exposure to credit risk in relation to the Target Group's financial assets.

The credit risk on cash and bank balances and financial assets at fair value through profit or loss is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk of trade and other receivables and various balances due from related parties is closely monitored by management of the Target Group.

(c) Liquidity risk

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

The maturity analysis of the Target Group's financial liabilities is as follows:

	On demand or less than 1 year *HK$*	Between 1 and 2 years *HK$*	Between 2 to 5 years *HK$*
At 31 March 2013			
Other payables	166,333	—	—
Amounts due to fellow subsidiaries	1,867,822	—	—
Amounts due to related companies	320,994	—	—
At 31 March 2014			
Other payables	2,116,988	—	—
Amounts due to fellow subsidiaries	13,810,717	—	—
Amounts due to related companies	1,570,776	—	—
At 31 March 2015			
Other payables	5,001,944	1,587,698	—
Amounts due to fellow subsidiaries	35,059,322	—	—
Amounts due to related companies	2,393,708	—	—
At 30 June 2015			
Other payables	7,816,860	—	—
Amounts due to fellow subsidiaries	32,482,794	—	—
Amounts due to related companies	2,657,373	—	—

(d) Interest rate risk

The Target Group's exposure to interest-rate risk mainly arises from its bank deposits and loan to ultimate parent. The bank deposits bear interests at variable rates varied with the then prevailing market condition. The loan to Ultimate Parent bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(e) Categories of financial instruments

		As at 31 March			As at 30 June
		2013	**2014**	**2015**	**2015**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets					
Financial assets at fair value through profit or loss (held for trading)	*19*	—	25,385,404	—	—
Loans and receivables (including cash and cash equivalents)		9,217,429	48,391,024	102,797,197	105,760,858
Financial liabilities					
Financial liabilities measured at amortised cost		2,355,149	17,498,481	44,042,672	42,957,027

(f) Fair values

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

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs: unobservable inputs for the asset or liability.

The Target Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 March 2014:

	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Financial assets				
Financial assets at fair value through profit or loss — wealth management products	—	—	25,385,404	25,385,404

(b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at fair value through profit or loss — wealth management products	
	2014	**2015**
	HK$	*HK$*
At 1 April	—	25,385,404
Total gains recognised in profit or loss (#)	1,108,608	255,840
Purchase	227,043,391	62,554,735
Settlements	(202,817,826)	(87,938,727)
Exchange differences	51,231	(257,252)
At 31 March	25,385,404	—
(#) Include gains for financial assets held at end of reporting period	107,129	—

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other income in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 March 2014 and 2015 respectively.

(c) Disclosure of valuation process used by the Target Group and valuation techniques and inputs used in fair value measurements:

For level 3 fair value measurements of financial assets at fair value through profit or loss, the Target Group performs the valuations based on recent experience of similar transactions. Key unobservable inputs used in the level 3 fair value measurements are mainly expected return provided by the bank which offer the financial product. The annualised expected return is 5% and the Target Group estimates the fair value of the financial assets at fair value through profit or loss base on investment principal plus expected return on time apportionment basis. Increase of expected return would cause the estimated fair value of financial assets at fair value through profit or loss to increase.

7. REVENUE

An analysis of the Target Group's revenue is as follows:

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	**2014**	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Training course*	3,260,720	34,207,136	65,845,040	17,120,925	12,674,989
Competition admission fee*	107,069	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 equipments	—	—	37,107	—	282,733
	3,367,789	43,748,911	79,899,413	19,949,767	13,575,509
Less: Sales tax	(117,563)	(1,674,295)	(3,309,230)	(761,832)	(747,286)
	3,250,226	42,074,616	76,590,183	19,187,935	12,828,223

* Revenue settled via China Robot Competition ("CRC") Shentong Card payment system.

8. OTHER INCOME/(EXPENSES)

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Conference service income	—	—	2,109,346	311,139	106,052
Conference service related cost	—	—	(1,187,261)	(210,133)	—
Interest income on bank deposits	1,328	62,650	46,177	6,661	5,848
Interest income from loan to Ultimate Parent *(note 20)*	—	—	—	—	405,504
Gain on disposal of financial assets at fair value through profit or loss *(note 19)*	—	1,108,608	255,840	206,971	—
Others	—	1,388	429	—	—
	1,328	1,172,646	1,224,531	314,638	517,404

9. SEGMENT INFORMATION

For the Relevant Periods, the Target Group has one single reportable segment which was promoted and managed as a single strategic business unit that engaged in the provision of services to facilitate CRC training programs in Heilongjiang province by the exclusive online payment gateway and Shentong Card distribution system as well as the organisation of CRC competitions as the principal marketing tool of the aforesaid businesses. Information reported to the Target Group's chief operation decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

The Target Group's non-current assets were all located in the PRC.

The Target Group's revenue from external customers were all derived in the PRC and its revenue from major customers are detailed below:

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Customer A	N/A[1]	N/A[1]	N/A[1]	2,240,199	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target Group.

10. INCOME TAX (CREDIT)/EXPENSES

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Current tax — PRC					
Provision for the year	—	2,495,255	8,739,530	2,507,209	1,159,108
Deferred tax *(note 26)*	(455,654)	467,552	—	—	—
	(455,654)	2,962,807	8,739,530	2,507,209	1,159,108

PRC Enterprise Income Tax has been provided at a rate of 25% for the Relevant Periods.

No provision for Hong Kong Profits Tax is required since the Target Group has no assessable profits in Hong Kong for the Relevant Periods.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
(Loss)/profit before tax	(1,827,771)	11,639,524	33,068,428	9,779,106	4,341,054
Tax at the PRC Enterprise Income Tax rate of 25%	(456,942)	2,909,881	8,267,107	2,444,777	1,085,264
Tax effect of expenses that are not deductible	1,288	52,926	472,423	62,432	8,619
Tax effect of tax losses not recognised	—	—	—	—	65,225
Income tax (credit)/expenses	(455,654)	2,962,807	8,739,530	2,507,209	1,159,108

11. (LOSS)/PROFIT BEFORE TAX

The Target Group's (loss)/profit before tax is arrived at after charging:

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	**2014**	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Depreciation	—	272,420	1,112,019	126,640	765,585
Directors' emoluments					
— As directors	—	—	—	—	—
— For management	—	—	—	—	—
Operating lease charges for land and buildings	318,872	2,699,793	2,655,757	690,684	387,339

12. EMPLOYEE BENEFITS EXPENSE

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Employee benefits expense:					
Salaries, bonuses and allowances	33,848	631,068	2,274,736	248,729	751,790
Retirement benefit scheme contributions	1,967	94,646	258,241	38,755	111,349
	35,815	725,714	2,532,977	287,484	863,139

Five highest paid individuals

The five highest paid individuals in the Target Group during the Relevant Periods are set out below:

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	**2014**	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Basic salaries and allowances	29,502	147,934	194,541	46,275	48,573
Retirement benefit scheme contributions	—	21,011	33,491	8,009	10,305
	29,502	168,945	228,032	54,284	58,878

The emoluments fell within the following band:

	Number of individuals				
	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	2014	2015	2014 (unaudited)	2015
Nil to HK$1,000,000	5	5	5	5	5

13. RETIREMENT BENEFIT SCHEMES

The employees of the Target Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

14. GOODWILL

Group	*HK$*
Cost	
At 1 April 2014	—
Arising on acquisition of a subsidiary *(note 30(a))*	2,142,269
At 31 March 2015, 1 April 2015 and 30 June 2015	2,142,269
Accumulated impairment losses	
At 1 April 2014	—
Impairment loss recognised	—
At 31 March 2015, 1 April 2015 and 30 June 2015	—
Carrying amount	
At 31 March 2015	2,142,269
At 30 June 2015	2,142,269

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

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flows method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Target Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

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

The rate used to discount the forecast cash flows from the CGU is 24.40%.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipments	Motor vehicles	Training equipments	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 29 January 2013, 31 March 2013 and 1 April 2013	—	—	—	—	—
Additions	260,221	165,033	1,386,203	—	1,811,457
Exchange differences	526	334	2,804	—	3,664
At 31 March 2014 and 1 April 2014	260,747	165,367	1,389,007	—	1,815,121
Additions	741,283	480,360	—	8,310,280	9,531,923
Acquisition of a subsidiary	31,320	278,006	—	1,548,305	1,857,631
Transfer to Ultimate Parent	—	(193,669)	—	(1,404,284)	(1,597,953)
Exchange differences	(3,173)	(68)	(15,108)	(1,220)	(19,569)
At 31 March 2015 and 1 April 2015	1,030,177	729,996	1,373,899	8,453,081	11,587,153
Additions	—	—	—	—	—
Exchange differences	(772)	(547)	(1,030)	(6,335)	(8,684)
At 30 June 2015	1,029,405	729,449	1,372,869	8,446,746	11,578,469
Accumulated depreciation					
At 29 January 2013, 31 March 2013 and 1 April 2013	—	—	—	—	—
Charge for the year	15,077	24,906	232,437	—	272,420
Exchange differences	30	50	470	—	550
At 31 March 2014 and 1 April 2014	15,107	24,956	232,907	—	272,970
Charge for the year	92,578	155,956	326,683	536,802	1,112,019
Exchange differences	(234)	(389)	(2,778)	(765)	(4,166)
At 31 March 2015	107,451	180,523	556,812	536,037	1,380,823
Charge for the period	49,841	57,906	81,538	576,300	765,585
Exchange differences	(74)	(128)	(407)	(330)	(939)
At 30 June 2015	157,218	238,301	637,943	1,112,007	2,145,469
Carrying amount					
As at 31 March 2013	—	—	—	—	—
As at 31 March 2014	245,640	140,411	1,156,100	—	1,542,151
As at 31 March 2015	922,726	549,473	817,087	7,917,044	10,206,330
As at 30 June 2015	872,187	491,148	734,926	7,334,739	9,433,000

16. INVENTORIES

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Finished goods	—	7,473	48,245	141,601

17. TRADE RECEIVABLES

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	—	—	375,047	249,844

The Target Group receives prepayment from training course participants and no credit period was granted. The Group's trading terms with other customers are mainly on credit (e.g. competition sponsors) ranging from 0 to 30 days. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
0 to 90 days	—	—	—	249,844
91 to 180 days	—	—	375,047	—
	—	—	375,047	249,844

As of 31 March 2015 and 30 June 2015, trade receivables of HK$375,047 and HK$249,844, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Up to 3 months	—	—	—	249,844
3 to 6 months	—	—	375,047	—
	—	—	375,047	249,844

18. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Prepayment	—	—	4,805,452	516,368
Other receivables	287	114,266	1,825,573	1,724,436
	287	114,266	6,631,025	2,240,804

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	HK$
At 29 January 2013, 31 March 2013 and 1 April 2013	—
Total gains recognised in profit or loss	1,108,608
Purchase	227,043,391
Settlement during the year	(202,817,826)
Exchange differences	51,231
At 31 March 2014	25,385,404
At 1 April 2014	25,385,404
Total gains recognised in profit or loss	255,840
Purchase	62,554,735
Settlement during the year	(87,938,727)
Exchange differences	(257,252)
At 31 March 2015, 1 April 2015 and 30 June 2015	—

Financial assets at fair value through profit or loss of the Target Group represented short-term wealth management products managed by bank in the PRC which undertake return of principal and with variable target income yield of 5.0% per annum upon maturity.

20. LOAN TO ULTIMATE PARENT

On 31 March 2015, the Target Group advanced a loan of RMB23,000,000 to Ultimate Parent. The loan is unsecured, interest bearing at 5.6% p.a. and repayable on 31 August 2015.

21. AMOUNTS DUE FROM/(TO) ULTIMATE PARENT, FELLOW SUBSIDIARIES AND RELATED COMPANIES

The amounts due from/(to) Ultimate Parent, fellow subsidiaries and related companies are unsecured, interest-free and have no fixed terms of repayment.

22. BANK AND CASH BALANCES

The bank and cash balances of the Target Group denominated in RMB amounted to HK$1,429,008, HK$2,104,168, HK$2,049,101 and HK$485,599 as at 31 March 2013, 2014 and 2015 and 30 June 2015 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. RECEIPT IN ADVANCE

As at 31 March 2014 and 2015 and 30 June 2015, an amount of RMB17,500,000 related to sponsorship income was advanced from Taihua Weiye Technology Co., Ltd. (泰華偉業科技有限責任公司), a company in which a fellow subsidiary of the Target Group has 8% equity interest during the period from 17 April 2013 to 13 January 2015.

24. TRAINING COURSE OBLIGATION

Training course obligation represented the prepaid course fee received from training course participants.

25. OTHER PAYABLES

	As at 31 March			As at 30 June
	2013	**2014**	**2015**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Accrued expenses	10,270	170,063	603,964	774,171
Payables for purchase of property, plant and equipment	—	—	1,981,498	1,980,012
Payables for acquisition of a subsidiary	—	—	2,837,855	2,835,728
Others	156,063	1,946,925	1,166,325	2,226,949
Total other payables	166,333	2,116,988	6,589,642	7,816,860
Less: non-current liabilities	—	—	(1,587,698)	—
Total other payables (current)	166,333	2,116,988	5,001,944	7,816,860

26. DEFERRED TAX

The following are the deferred tax assets recognised by the Target Group:

	Tax losses
	HK$
At 29 January 2013	—
Credit to profit or loss for the period ended 31 March 2013 (note 10)	455,654
Exchange realignment	7,283
At 31 March 2013	462,937
At 1 April 2013	462,937
Charge to profit or loss for the year ended 31 March 2014 (note 10)	(467,552)
Exchange realignment	4,615
At 31 March 2014, 1 April 2014, 31 March 2015, 1 April 2015 and 30 June 2015	—

At 31 March 2014 and 2015, the Target Group has no unused tax losses available for offset against future profits. At 30 June 2015, the Target Group has unused tax losses of HK$65,225 available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$65,225 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$65,225 that will expire in 2019.

At 31 March 2013, 2014 and 2015 and 30 June 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised are Nil, HK$7,326,095 and HK$31,039,898 and HK$34,243,844 respectively. No liability has been recognised in respect of these differences because the Target Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

For the purpose of presentation of the Financial Information, the share capital in the consolidated statements of financial position as at 31 March 2013, 2014 and 2015 represented the aggregate paid-in capital of the Target Company, CCI HK and Heilongjiang Shentong.

The movement of share capital of the Target Company is as follow:

	Number of shares	**Amount** *USD*
Ordinary shares, issued and fully paid:		
Share issued upon incorporation on 26 March 2015	1	1
At 31 March 2015	1	1
Shares issued on 10 April 2015	9	9
At 30 June 2015	10	10

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

The Target Group currently does not have any specific policies and processes for managing capital.

The Target Group is not subject to any externally imposed capital requirements.

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE TARGET COMPANY

(a) Statement of financial position of the Target Company

	Note	As at 31 March 2015 HK$	As at 30 June 2015 HK$
ASSETS			
Non-current assets			
Investments in a subsidiary		—	70
Total non-current assets		—	70
Current assets			
Bank and cash balances		8	8
Total current assets		8	8
Total assets		8	78
EQUITY AND LIABILITIES			
Share capital		8	78
Reserves	*28(b)*	—	(9,800)
Total equity		8	(9,722)
LIABILITIES			
Current liabilities			
Other payables		—	9,800
Total current liabilities		—	9,800
Total equity and liabilities		8	78

(b) Reserve movement of the Target Company

	Accumulated losses HK$
At 1 April 2014	—
Total comprehensive income for the year	—
At 31 March 2015	—
At 1 April 2015	—
Total comprehensive income for the period	(9,800)
At 30 June 2015	(9,800)

29. RESERVE

(a) Group

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

(b) Nature and purpose of reserve

(i) Capital reserve

The capital reserve represents the amount due to a fellow subsidiary capitalised during the year ended 31 March 2015.

(ii) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Target Group in exchange for the nominal value of the shares capital of its subsidiaries arising from Target Group Reorganisation.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d) to the combined financial statements.

(iv) Statutory reserve

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

30. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Acquisition of a subsidiary — Daqing Shentong

On 1 June 2014, the Target Group obtained control of Daqing Shentong by acquiring 100% of the its equity interest for a cash consideration of RMB2,750,000 (equivalent to HK$3,414,028).

The fair value of the identifiable assets and liabilities of Daqing Shentong acquired as at its date of acquisition is as follows:

	HK$
Net assets acquired:	
Property, plant and equipment	1,857,631
Inventories	372,439
Amount due from ultimate parent	4,909,334
Other payables	(57,305)
Training course obligation	(5,423,871)
Current tax liabilities	(386,469)
	1,271,759
Goodwill *(note 14)*	2,142,269
	3,414,028
Satisfied by:	
Cash	576,173
Other payables	2,837,855
	3,414,028
Net cash outflow arising on acquisition:	
Cash consideration paid before 31 March 2015	(576,173)
Cash and cash equivalents acquired	—
	(576,173)

The goodwill arising on the acquisition of Daqing Shentong is attributable to the anticipated profitability of expanding the Target Group's service in the new locations and the anticipated future operating synergies from the combination.

For the period from 1 June 2014 (date of acquisition) to 31 March 2015, Daqing Shengtong has contributed HK$4,337,855 and HK$245,509 to the Target Group's revenue and net profit respectively.

If the acquisition had been completed on 1 April 2014, total Target Group revenue for the year ended 31 March 2015 would have been HK$78,238,390, and the profit for the year would have been HK$25,228,218. The pro forma information is for illustrative purpose only and is not necessarily an indication of the revenue and result of the operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is intended to be a projection of future result.

(b) Major non-cash transaction

On 8 January 2015, a subsidiary of the Target Group capitalised an amount of HK$1 million due to a fellow subsidiary.

31. CAPITAL COMMITMENTS

	As at 31 March			As at 30 June
	2013	2014	2015	2015
	HK$	*HK$*	*HK$*	*HK$*
Training equipments:				
Contracted but not provided for	—	—	415,143	414,832

32. LEASE COMMITMENTS

At 31 March 2013, 2014 and 2015 and 30 June 2015, the Target Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March			As at 30 June
	2013	2014	2015	2015
	HK$	*HK$*	*HK$*	*HK$*
Within one year	301,897	305,522	350,650	476,886
In the second to fifth years inclusive	—	—	105,013	71,622
	301,897	305,522	455,663	548,508

Operating lease payments represent rentals payable by the Target Group for certain of its offices and training centres. Leases are negotiated for terms of 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

33. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in Financial Information, the Target Group had the following material transactions with its related parties during the Relevant Periods:

	Period from 29 January 2013 to 31 March	Year ended 31 March		Three months ended 30 June	
	2013	**2014**	**2015**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Sales of course materials to Ultimate Parent *(note 7)*	—	1,392,809	352,060	37,430	—
Interest income from loan to Ultimate Parent	—	—	—	—	405,504
Service fees paid to Ultimate Parent					
— Customer service hotline rental	(117,399)	(1,586,966)	(2,161,167)	(395,744)	(543,636)
— CRC Shentong Card payment system management	(202,055)	(2,261,298)	(4,082,481)	(1,045,360)	(782,577)
— Rental of competition venues	—	—	(187,664)	—	—
— Server hosting service	(2,360,172)	(9,687,185)	(9,608,407)	(2,389,546)	(2,398,201)
Conference service income from fellow subsidiaries	—	—	560,490	311,139	—
Service fees paid to fellow subsidiaries					
— Advertising	—	(2,391,639)	(9,716,145)	(2,437,772)	(720,959)
— Conference service related cost	—	—	(1,187,261)	(210,133)	—
— Information service fee (Telecom service fee)	(113,849)	—	—	—	—
— Rental of competition venues	(21,610)	(1,479,819)	(1,126,209)	(376,874)	(37,472)
— Website maintenance fee	(1,659,496)	(6,811,302)	(6,755,912)	(1,680,149)	(1,686,235)
Service fees paid to a related company					
— Office rental	(261,217)	(1,072,149)	(1,063,431)	(264,468)	(265,426)
Transfer of property, plant and equipment to Ultimate Parent at cost	—	—	1,597,953	1,164,530	—

(b) Beijing Shentong Culture Club Co., Ltd. ("Beijing Shentong"), a fellow subsidiary of the Target Group, has provided certain book copyrights for Heilongjiang Shentong to use for nil consideration during the Relevant Periods.

(c) Heilongjiang Shentong is authorised by Beijing Shentong rights to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC during the Relevant Periods and up to 31 December 2016 for nil consideration.

34. EVENTS AFTER THE REPORTING PERIOD

(a) On 21 November 2015, the Target Group entered into a service agreement with China Communication Investment Limited ("CCI"), a wholly owned subsidiary of Ultimate Parent to procure (i) the granting of exclusive right from Beijing Shentong to organise and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC beyond 31 December 2016 and on continuous terms with indefinite contract expiry date; and (ii) the granting of exclusive right from CCC to use CRC Shentong Card payment system in Heilongjiang Province of the PRC on continuous terms with indefinite contract expiry date. The contract sum of the aforementioned service agreement was HK$350 million and payable on or before 15 November 2016. Accordingly, the Target Group was granted with the above rights on 21 November 2015.

(b) On 15 September 2015 and 21 November 2015, the Target Group entered into supplementary agreements related to Heilongjiang Shentong CRC Shentong Card Payment System Contract and Daqing Shentong CRC Shentong Card Payment System Contract with Ultimate Parent in order to streamline the CRC Shentong Card payment system settlement process and extend the contract terms. Ultimate Parent is required to maintain RMB5 million clearing security deposit with the Target Group and shall pay to the Target Group within 30 days after the end of the relevant month which revenue being recognised by the Target Group. Subject to Acquisition Completion, upon expiry of the abovementioned contracts on 31 March 2018, they will be renewed for further periods of three years unless otherwise terminated by the Target Group.

(c) On 8 December 2015, the Target Group entered into supplementary agreements related to Customer Service Hotline Rental Contract, Server Hosting Agreement, Website Maintenance Contract, Web Advertising Contract (Heilongjiang Shentong), Web Advertising Contract (Daqing Shentong), China Communication Heilongjiang Bin County Branch Venue Rental Contract and Harbin China Communication Skill Training Venue Rental Agreement with relevant contracting parties to amend the expiry dates of respective contracts to 31 March 2018, subject to Acquisition Completion.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully
RSM Hong Kong
Certified Public Accountants
Hong Kong

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of (i) the proposed acquisition of entire equity interest in Copious Link Ventures Limited (the "Acquisition") and (ii) the proposed placing(s) (the "Placing(s)") and proposed subscription (the "Subscription") of new Shares of the Company might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and statement of cash flows of the Enlarged Group for the year ended 31 March 2015 are prepared based on the audited consolidated statement of profit or loss and statement of cash flows of the Group for the year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015 and the audited consolidated statement of profit or loss and statement of cash flows of the Target Group for the year ended 31 March 2015 as extracted from the accountants' report set out in Appendix II to this circular as if the Acquisition, Placing(s) and Subscription had been completed on 1 April 2014.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on the unaudited consolidated statement of financial position of the Group as at 30 September 2015 which has been extracted from the published interim report for the six months ended 30 September 2015 and the audited consolidated statement of financial position of the Target Group as at 30 June 2015 which has been extracted from the accountants' report in Appendix II to this circular, as if the Acquisition, Placing(s) and Subscription had been completed on 30 September 2015.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of the Target Group as set out in Appendix II and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2015

	For the year ended 31 March 2015					
	The Group	**Target Group**	**Subtotal**	**Pro forma adjustments**		**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Revenue	38,484	76,590	115,074			115,074
Cost of sales	(11,477)	(38,259)	(49,736)			(49,736)
Gross profit	27,007	38,331	65,338			65,338
Other income	129	1,224	1,353			1,353
Selling and distribution expenses	(14,839)	(2,400)	(17,239)			(17,239)
Administrative expenses	(18,672)	(4,087)	(22,759)	(7,095)	*(iv)*	(29,854)
(Loss)/Profit from operations	(6,375)	33,068	26,693			19,598
Finance costs	(1,894)	—	(1,894)			(1,894)
(Loss)/Profit before tax	(8,269)	33,068	24,799			17,704
Income tax expense	(1,602)	(8,739)	(10,341)			(10,341)
(Loss)/Profit for the year attributable to owners of the Company	(9,871)	24,329	14,458			7,363

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2015

	The Group as at 30 September 2015	Target Group as at 30 June 2015	Subtotal	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	1,151	9,433	10,584			10,584
Goodwill	—	2,142	2,142	74,756	*(iii)*	76,898
Intangible assets	845	—	845	350,000	*(iii)*	359,957
				9,112	*(iii)*	
Total non-current assets	1,996	11,575	13,571			447,439
Current assets						
Inventories	—	142	142			142
Trade receivables	—	249	249			249
Prepayment, deposits and other receivables	7,420	2,241	9,661			9,661
Loan to CCC	—	28,732	28,732			28,732
Amounts due from CCC	—	70,675	70,675			70,675
Amounts due from fellow subsidiaries	—	3,560	3,560	(3,560)	*(v)*	—
Amounts due from related companies	—	—	—	3,560	*(v)*	3,560
Bank and cash balances	43,311	820	44,131	398,071	*(i)*	399,338
				(5,769)	*(ii)*	
				(7,095)	*(iv)*	
				(30,000)	*(iii)*	
Total current assets	50,731	106,419	157,150			512,357
TOTAL ASSETS	52,727	117,994	170,721			959,796

	The Group as at 30 September 2015 *HK$'000*	Target Group as at 30 June 2015 *HK$'000*	Subtotal *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	12,947	—	12,947	9,257	*(i)*	22,204
Reserves	(76,278)	35,910	(40,368)	388,814	*(i)*	299,672
				(5,769)	*(ii)*	
				(7,095)	*(iv)*	
				(35,910)	*(iii)*	
Total equity	(63,331)	35,910	(27,421)			321,876
Non-current liabilities						
Promissory note	101,013	—	101,013			101,013
Deferred tax liabilities	211	—	211	89,778	*(iii)*	89,989
Total non-current liabilities	101,224	—	101,224			191,002
Current liabilities						
Receipt in advance	—	22,002	22,002			22,002
Training course obligation	—	12,526	12,526			12,526
Accruals and other payables	2,507	7,817	10,324			10,324
Amount due to CCI	—	—	—	350,000	*(iii)*	350,100
				100	*(v)*	
Amounts due to fellow subsidiaries	—	32,483	32,483	(32,483)	*(v)*	—
Amounts due to related companies	—	2,657	2,657	32,383	*(v)*	35,040
Current tax liabilities	12,327	4,599	16,926			16,926
Total current liabilities	14,834	82,084	96,918			446,918
TOTAL EQUITY AND LIABILITIES	52,727	117,994	170,721			959,796

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2015

	For the year ended 31 March 2015					
	The Group	Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax	(8,269)	33,068	24,799	(7,095)	*(iv)*	17,704
Adjustments for:						
Depreciation and amortisation	3,479	1,112	4,591			4,591
Finance costs	1,894	—	1,894			1,894
Gain on disposal of financial assets at fair value through profit or loss	(51)	—	(51)			(51)
Interest income	(77)	(46)	(123)			(123)
Operating (loss)/profit before working capital changes	(3,024)	34,134	31,110			24,015
Decrease in inventories	—	332	332			332
Increase in trade receivables	—	(375)	(375)			(375)
Increase in prepayments, deposits and other receivables	(1,155)	(6,517)	(7,672)			(7,672)
Increase in amounts due from CCC	—	(14,712)	(14,712)			(14,712)
Decrease in amounts due from fellow subsidiaries	—	(2,506)	(2,506)	2,506	*(v)*	—
Increase in amounts due from related companies	—	—	—	(2,506)	*(v)*	(2,506)
Decrease in financial assets at fair value through profit or loss	—	25,385	25,385			25,385
Decrease in receipt in advance	—	(5,472)	(5,472)			(5,472)
Decrease in training course obligation	—	(9,419)	(9,419)			(9,419)
Increase in accruals and other payables	513	1,578	2,091			2,091
Increase in amount due to CCI	—	—	—	100	*(v)*	100
Increase in amounts due to fellow subsidiaries	—	22,249	22,249	(22,249)	*(v)*	—
Increase in amounts due to related companies	—	823	823	22,149	*(v)*	22,972
Cash (used in)/generated from operations	(3,666)	45,500	41,834			34,739
Interest paid	(1,869)	—	(1,869)			(1,869)
Income tax paid	—	(6,733)	(6,733)			(6,733)
Net cash (used in)/generated from operating activities	(5,535)	38,767	33,232			26,137

	For the year ended 31 March 2015					
	The Group	Target Group	Subtotal	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Loan to CCC	—	(28,754)	(28,754)			(28,754)
Proceeds from disposals of financial assets at fair value through profit or loss	12,558	—	12,558			12,558
Purchases of financial assets at fair value through profit or loss	(12,507)	—	(12,507)			(12,507)
Acquisition of a subsidiary	—	(576)	(576)			(576)
Acquisition of Target Group	—	—	—	(27,797)	*(vi)*	(27,797)
Transfer of property, plant and equipment	—	1,598	1,598			1,598
Purchases of property, plant and equipment	(816)	(9,532)	(10,348)			(10,348)
Interest received	77	46	123			123
Net cash used in investing activities	(688)	(37,218)	(37,906)			(65,703)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Placing and Subscription of Shares	—	—	—	398,071	*(i)*	398,071
Placing fee paid	—	—	—	(5,769)	*(ii)*	(5,769)
Repayment of Service Fee payable to CCI	—	—	—	(350,000)	*(vii)*	(350,000)
Net cash generated from financing activities	—	—	—			42,302
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,223)	1,549	(4,674)			2,736
Exchange differences	(290)	(110)	(400)			(400)
CASH AND CASH EQUIVALENTS AT 1 APRIL 2014	51,680	2,203	53,883	(2,203)	*(vi)*	51,680
CASH AND CASH EQUIVALENTS AT 31 MARCH 2015, represented by bank and cash balances	45,167	3,642	48,809			54,016

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) The adjustments represent the gross proceeds from the maximum numbers of Placing Shares of 670,809,083 and Subscription Shares of 254,938,265 with Placing/ Subscription Price of HK$0.43 per Share.

(ii) The adjustments represent the effect of placing fee with respect to the issue of Placing Shares. The placing fee is calculated at 2% of the aggregate Placing Price payable for the aggregate Placing Shares actually placed by the Placing Agent. For the purpose of this unaudited pro forma financial information, the maximum number of Placing Shares is assumed to be placed. The adjustments have no continuing effect to the Enlarged Group.

(iii) The adjustments represent:

— the Service Fee payable to CCI (a substantial Shareholder of the Company) by the Target Group for entering into Service Agreement on 21 November 2015. As a result of the Service Agreement, the Target Group would obtain intangible assets in relation to Exclusive Rights granted from CCC and Beijing Shentong. The Exclusive Rights are assessed to have indefinite useful lives;

— consideration paid by the Group upon the Acquisition Completion;

— fair value adjustments to intangible assets and recognition of goodwill and deferred tax liabilities related to the Acquisition of Target Group;

— elimination of the pre-acquisition reserves of the Target Group prior to the Acquisition Completion Date.

Details of the adjustments are set out below:

	Carrying amounts of the identifiable assets and liabilities of the Target Group as at 30 June 2015	Recognition of Exclusive Rights and Service Fee payable by the Target Group on 21 November 2015	Fair value adjustments	Fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	9,433	—	—	9,433
Goodwill	2,142	—	(2,142)	—
Intangible assets	—	350,000	9,112	359,112
Net operating assets excluding bank and cash balances and current tax liabilities	28,114	—	—	28,114
Bank and cash balances	820	—	—	820
Amount due to CCI	—	(350,000)	—	(350,000)
Current tax liabilities	(4,599)	—	—	(4,599)
Deferred tax liabilities	—	—	(89,778)	(89,778)
Assets identified/(liabilities assumed)	35,910	—	(82,808)	(46,898)
Consideration of the Acquisition				30,000
Fair value of net identifiable liabilities of the Target Group				46,898
Goodwill				76,898

The fair value of Exclusive Rights as at 21 November 2015 is RMB295,833,000 (HK$359,112,000) as set out in valuation report of Grant Sherman Appraisal Limited in Appendix IV of this circular. The carrying amount of Exclusive Rights of the Target Group amounted to HK$350,000,000 is adjusted with the fair value difference of HK$9,112,000 accordingly. Deferred tax liabilities related to the Exclusive Rights is estimated by applying PRC income tax rate of 25% to the adjusted carrying amount of Exclusive Rights.

Since the net fair value of the assets and liabilities of the Target Group as at the Acquisition Completion Date may be different from their fair values used in the preparation of the unaudited pro forma financial information presented above, the actual goodwill arising from the Acquisition, if any, may be different from the estimated amount as presented above.

For the purpose of this unaudited pro forma financial information, the Group has performed an impairment assessment of property, plant and equipment, intangible assets and goodwill in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") which is consistent with the accounting policy of the Group. The Target Group is identified as a cash generating unit ("CGU") that goodwill is allocated to. The recoverable amount of CGU has been determined on the basis of its value in use using discounted cash flow method. The Directors have prepared cash flow forecasts of the Target Group based on most recent financial budgets of the next five years with the residual period using the growth rate of 4%. The pre-tax discount rate used to discount the forecast cash flows of the CGU is 26.49%. On the basis of such assessment, the Directors concluded that there is no impairment in the value of property, plant and equipment, intangible assets and goodwill.

(iv) The adjustments represent the estimated expenditures incurred in connection with the Acquisition including the financial advisor fees, independent financial advisor fees, legal fees, printing costs, accountant's fees, professional valuation fees, and other related expenses. The adjustments have no continuing effect to the Enlarged Group.

(v) The adjustments represent reclassifications of accounts of the Enlarged Group in conformity with the presentation of the Group.

(vi) The adjustment represents the payment of cash Consideration of HK$30,000,000, deemed had been paid on 1 April 2014. As at 1 April 2014, the Target Group had cash and bank balances of approximately HK$2,203,000, which was assumed to be acquired by the Group upon acquisition and therefore for presentation purpose, such amount is deducted from the cash Consideration. The adjustment has no continuing effect to the Enlarged Group.

(vii) As set out in note (iii) above, the Target Group incurred a Service Fee payable to CCI before Acquisition. Pursuant to the Circular, the Service Fee of HK$350 million would be settled by the Enlarged Group using the net proceeds of the Placing(s) and Subscription after Acquisition Completion. The adjustment has no continuing effect to the Enlarged Group.

F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.

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

31 December 2015

The Board of Directors
China Communication Telecom Services Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2015, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 March 2015, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2015 and related notes as set out on pages 2 to 9 of Appendix III to the circular (the "Circular") issued by the Company on 31 December 2015. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page 1 of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the proposed acquisition of entire equity interest in Copious Link Ventures Limited (the "Acquisition") and (ii) the proposed Placing(s) and proposed Subscription of new Shares of the Company on the Group's financial position as at 30 September 2015 as if the above transactions had been taken place at 30 September 2015, and on the Group's financial performance and cash flows for the year ended 31 March 2015 as if the transactions had been taken place at 1 April 2014. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 March 2015, on which an audit report has been published; and from the Group's published interim report for the six months ended 30 September 2015.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 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 with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

The following is the text of a report prepared by Grant Sherman Appraisal Limited, an independent professional valuer, in connection with the valuation of the Exclusive Rights of the Target Group as at 21 November 2015, for the purpose of incorporation in this circular.

GRANT SHERMAN

31 December 2015

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/Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of the irrevocable and exclusive right to organize and develop China Robot Competition ("CRC") (中國素質體育機器人運動會) competition events and to provide CRC education and training courses Heilongjiang Province of the People's Republic of China (the "PRC") granted to Heilongjiang Shentong Cultural Club Co., Ltd. (黑龍江神通文化俱樂部有限公司) ("Heilongjiang Shentong", together with its subsidiaries as "Heilongjiang Shentong Group") and the long-term exclusive right to use CRC Shentong Card payment system in Heilongjiang Province of the PRC granted to Heilongjiang Shentong collectively (the "Exclusive Rights"). Heilongjiang Shentong is an indirectly wholly owned subsidiary of Copious Link Ventures Limited ("Copious Link", together with its subsidiaries as "Copious Link Group").

Fair market value is defined as the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

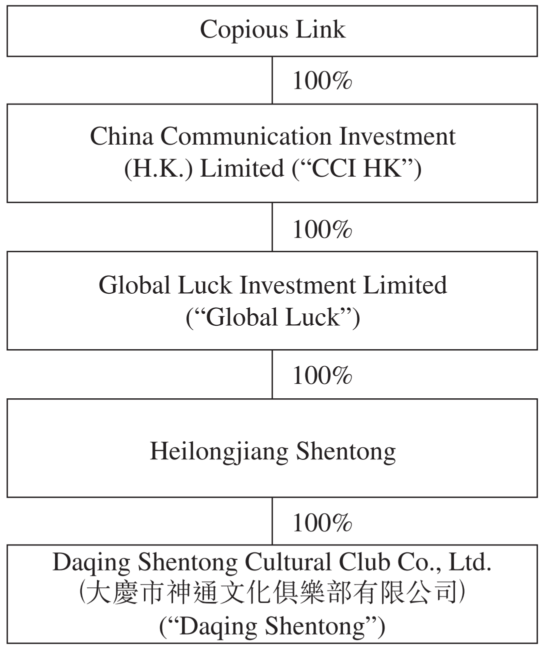
This letter identifies the assets appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

The purpose of this appraisal is to express an independent opinion of the fair market value of the Exclusive Rights as at 21 November 2015 (the "Appraisal Date"). It is our understanding that this appraisal will be used for acquisition purposes and our report might be incorporated in or used in connection with a public document.

INTRODUCTION

Copious Link Group

The corporate structure of Copious Link Group as at the Appraisal Date is set forth below:



Copious Link was incorporated on 26 March 2015 and is principally engaged in investment holding. Copious Link 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. CCI HK and Global Luck are also principally engaged in investment holdings. Heilongjiang Shentong and Daqing Shentong are the operating entities of Copious Link Group.

Heilongjiang Shentong Group

Heilongjiang Shentong and Daqing Shentong are principally engaged in the promotion, sales and management services related to CRC Shentong Cards facilitated by the provision of CRC-standardized robotics education and training courses at schools and training centers in Heilongjiang Province of the PRC. In particular, the organization and hosting of CRC competitions is the principal marketing tool of the aforesaid businesses of Heilongjiang Shentong, and its seven self-operated CRC demonstration 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-standardized 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.

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) ("SSDC") and hosted at CRC training centers. A significant portion of the work of Heilongjiang Shentong Group is to encourage more schools and training organizations in Heilongjiang Province of the PRC to be registered as official CRC training centers via promotion, site visits and demonstrations. The CRC training courses participants of Heilongjiang Shentong Group would be mainly full-time students and coaches. By the end of October 2015, Heilongjiang Shentong Group has delivered various courses to over 45,000 learners accumulatively. Heilongjiang Shentong Group would like to attract another 170,000 course participants throughout the upcoming 5 years.

Financial Forecast Prepared by the Management of Heilongjiang Shentong Group in million RMB

Years ended 31 March	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	56	75	97	125	156	171	180	198	206	214
Cost of sales	26	32	34	39	43	47	50	53	55	58
Gross profit	30	43	63	86	113	124	130	145	151	156
Operating expenses	5	5	6	7	8	8	9	9	10	10
Operating profit	25	38	57	79	105	116	121	136	141	146

The above forecast was prepared by the management of Heilongjiang Shentong Group (the "Management"). The projected revenue mainly includes training course revenue, competition admission fee income and franchise income. The Management forecasted the training course revenue based on the expected number of course participants and market growth rate with reference to the industry report prepared by China Insights Consultancy Limited, a market researcher. The Management expected Heilongjiang Shentong Group to experience a high growth phase between 2015 and 2019, where the annual growth rate in the number of participants will be around 30% and is line with the market. Then the annual growth rate is expected to decrease progressively from 20% to achieve a sustainable growth rate at 4%. The Management has also taken into account its price adjustment plan, its development plan and negotiations with school partner and its operational capacity in determining the forecasted training course revenue level. The price per course will be mostly the same as the current level with minimal price inflation every 3 years. The Management forecasted the franchise income based on the franchise fee per training center and the number of franchised training center. The franchise fee per training center is expected to remain constant while 2 new franchised training centers are expected to be introduced every year. The competition admission income is forecasted based on the existing number of competition participants and the admission fee per event with a projected growth rate ranging between 4% and 8% depending on the growth phase of Heilongjiang Shentong Group.

The cost of sales mainly includes CRC Shentong Card payment system fee, website maintenance fee, server hosting fee and customer service hotline rental. All of the above are continuing connected transactions with predetermined annual cap for each financial year until 2018. The CRC Shentong Card payment system fee equals to 6% of training course revenue and competition admission fee income. The 6% rate is a market rate. The remaining costs of sales and operating expenses are estimated based on historical financial information and a projected growth rate with reference to the revenue growth rate for the same forecast period. Human and administrative resources requirements are also considered in the course of the projection preparation.

The Exclusive Rights

On 9 May 2011, SSDC and Beijing Shentong Culture Club Co., Ltd. (北京神通文化俱樂部有限公司) ("Beijing Shentong") entered into the quality education robotics competition organization contract (素質體育 — 機器人大賽主承辦合同書) (the "CRC Organization Contract"). Pursuant to the CRC Organization Contract, Beijing Shentong is authorized by SSDC with sole and exclusive right to organize CRC competitions in the PRC, which is not transferrable to any third party. Beijing Shentong has the right to organize CRC competitions, develop business relating to CRC competitions, including but not limited to the right to name competitions and individual match championships, competition product franchise rights, rights to provide training for trainers, referees, athletes and the right to issue qualifications. The term of the CRC Organization Contract is from 9 May 2011 to 31 December 2016, upon the expiry of which the CRC Organization Contract would be automatically extended.

On 15 July 2014, SSDC and Beijing Shentong entered into the supplemental agreement to the CRC Organization Contract (《素質體育 — 機器人大賽主承辦合同書》補充協議) (the "CRC Organization Contract First Supplemental Agreement"), pursuant to which the procedures to renew the CRC Organization Contract were updated and clarified.

On 18 November 2015, SSDC and Beijing Shentong entered into the cooperation period supplemental agreement to the CRC Organization Contract (《素質體育 — 機器人大賽主承辦合同書》合作期補充協議) (the "CRC Organization Contract Second Supplemental Agreement"), pursuant to which the parties expressed the intention to form a long-term cooperation relationship (長期戰略合作夥伴關係) and agreed that the CRC Organization Contract shall remain effective for a long-term (長期有效).

According to the legal opinion advised by China Commercial Law Firm, Guang Dong (廣東華商律師事務所) (the "Legal Advisor"), under the applicable PRC laws and regulations, no bidding process is required to renew the CRC Organization Contract, and there is no legal impediment for Beijing Shentong to renew the CRC Organization Contract with SSDC.

On 5 January 2013, Beijing Shentong and Heilongjiang Shentong entered into the national robotics sport competition authorization (全國機器人運動大賽承辦授權書) ("Heilongjiang CRC Authorization"), pursuant to which together with the consent given by SSDC pursuant to its consent letter dated 13 August 2015, Beijing Shentong authorizes Heilongjiang Shentong to have 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.

On 21 November 2015, Beijing Shentong and Heilongjiang Shentong entered into the supplemental agreement to the national robotics sport competition authorization (《全國機器人運動大賽承辦授權書》補充協議) (the "Heilongjiang CRC Authorization Supplemental Agreement"), pursuant to which Beijing Shentong granted Heilongjiang Shentong the irrevocable and exclusive right to organize and develop CRC competition events and to provide CRC education and training courses in Heilongjiang Province of the PRC. So long as the co-operation period between the SSDC and Beijing Shentong under the CRC Organization Contract remains effective, the authorization granted by Beijing Shentong to Heilongjiang Shentong would be automatically extended indefinitely unless terminated by Heilongjiang Shentong by written notice. The right granted by Beijing Shentong to Heilongjiang Shentong cannot be terminated by Beijing Shentong without the prior consent of Heilongjiang Shentong. Beijing Shentong undertakes, covenants and agrees not to grant to any other party the same or similar rights in Heilongjiang Province of the PRC.

On 21 November 2015, China Communication Group Co., Ltd. (神州通信集團有限公司) ("CCC") and Heilongjiang Shentong entered into an agreement (the "CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorization Agreement"), pursuant to which CCC granted to Heilongjiang Shentong the long-term and exclusive right to use the CRC Shentong Card payment system in Heilongjiang Province of the PRC. The CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorization Agreement shall be effective and extended indefinitely unless terminated by Heilongjiang Shentong. 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.

In order to procure the signing of the Heilongjiang CRC Authorization Supplemental Agreement and the CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorization Agreement, on 21 November 2015 Copious Link and China Communication Investment Limited ("CCI") entered into a service agreement.

INDUSTRY OVERVIEW

Overview of Sports Industry in the PRC

According to the Twelfth Five Year Plan in Sports Industry (《體育產業"十二五"規劃》) (the "Five-year Plan") launched by General Administration of Sport ("GAS") in 2011, the department aimed to increase the share of the PRC's GDP generated from the sports industry from less than 0.5% (RMB156 billion) in 2008 to 0.7% (RMB400 billion) by the end of 2015[1] with an average growth rate of 15% per annum. In contrast to 1.9%[2] and 1.1%[3] of GDP contributed by the sports industry in England in 2010 and in the European Union in 2011 through 2012 respectively, there is a lag in development of sports industry of the PRC as supported by its GDP composition.

1 "Notice on Twelfth Five Year Plan in Sports Industry" ("體育總局關於印發《體育產業"十二五"規劃》的通知"), http://big5.gov.cn/gate/big5/www.gov.cn/gongbao/content/2011/content_2004745.htm

2 "Economic value of sport in England", http://www.sportengland.org/media/177230/economic-value-of-sport.pdf

3 "Study on the Contribution of Sport to Economic Growth and Employment", http://ec.europa.eu/sport/library/studies/study-contribution-spors-economic-growth-final-rpt.pdf

In the Five-year plan, the number of sports industry practitioners was expected to increase from 3 million in 2008 to 4 million in 2015. Top priorities would be placed on the development of sports competitions and recreational events. To invite participation from the private sector, the PRC government would offer financial subsidies and incentives to qualified sports events organizers[4].

The cultural, sports and media sector in the PRC is attracting more revenues, up from RMB110 billion in 2008 to RMB274 billion in 2014[5]. A double digit growth was demonstrated in each year from 2008 till 2013 and only slightly below 10% in 2014, the compound annual growth rate between 2008 and 2014 is 17%. This well supports GAS's average growth target till 2015.

Robot Sports Development in the PRC

Robot sports refers to the sports events with robot as the instrument. Japan is the first nation to host a tournament only open to robot — the football RoboCup in 1997. Nowadays, countries in America, Europe and Asia have launched robot competitions national-wide or internationally. The scope of the competition has extended far beyond from pure football competition. Currently, major international robot competitions for teenagers include FIRST LEGO League, World Robot Olympiad[6] and RoboCup.

4 "Notice on Twelfth Five Year Plan in Sports Industry" ("體育總局關於印發《體育產業"十二五"規劃》的通知"), http://big5.gov.cn/gate/big5/www.gov.cn/gongbao/content/2011/content_2004745.htm

5 Cultural Development Statistics Report 2014 by Ministry of Culture of the PRC ("中華人民共和國文化部 2014 年文化發展統計公報"), http://zwgk.mcprc.gov.cn/auto255/201505/W020150525608812349181.pdf

6 Interview with He Chenguang, president of China Communication Group ("神州通信集團總裁何晨光專訪"), http://cssrc.org/news/20120614/466.html

The first international robot sports competition with Chinese representatives attending is the RoboCup, dated back in 2000[7]. In 2008, the PRC hosted this competition in Suzhou[8]. The competition returns to the PRC again in Hefei in 2015[9]. Chinese representatives first participated in FIRST LEGO League in 2003. The PRC co-founded the World Robot Olympiad with 3 other Asian countries in 2004, and housed this game in Nanning in 2006.

Various learning organizations have been educating students for robot sports. Lego is one of the oldest players in the market with entrance to the PRC dated back in 2000. Other market players have diversified geographic and demographic coverages.

Summary of 3 Major Market Players in Robot Sports Education in the PRC

Company name	**RoboRobo**	**Lego/Semia**	**Robotec**
Year of establishment in the PRC	2008	2000	2009
Country of origin	Korea	Denmark	Taiwan
Age of students	4–12	3–16	4–26
No. of learning centers under direct and franchise management	128	102	31
No. of learning centers in Heilongjiang Province of the PRC	1	2	Nil
Mode of teaching	Offline	Offline	Offline
Development of teaching materials	Self-development	Self-development	Mixture of self-development and available-for-use materials
Competitions organized	Robo Games	1. FIRST LEGO League 2. World Robot Olympiad 3 FIRST Tech Challenge	N/A

Source: Company websites, www.roborobo.cn; www.semia.com; www.rtec.cc

7 Recording breaking performance by Chinese service robots in international competition ("中國服務機器人在國際賽事上創最佳成績"), http://cssrc.org/news/20120614/466.html

8 Events-2008 ~ Robocup, http://www.robocup.org/events/events-2008/

9 2015 RoboCup World Cup and robot academic conference will be held in Hefei for the first time ("合肥將首次承辦2015RoboCup機器人世界杯賽及學術大會"), http://www.zghfsw.gov.cn/n7216006/n28292617/n28292972/34896544.html

In 2011, robot sports was officially recognized as a sport event by GAS. Official rules governing robot sports competition in the PRC and governmental committees and associations were established progressively thereafter under the instruction of GAS, including the CRC General Competition Guideline (《中國素質體育機器人運動通用競賽規則》) launched in December 2012. In March 2015, to put the announcement JiaoTiYiShiHan [2013] No. 37 promulgated by the Ministry of Education into practice, National School Sports Robot League (全國學校體育機器人聯盟) was established to facilitate the promotion of robot sports in schools. 205 schools out of 5,993 schools applied were selected to be the first batch members[10].

SSDC has granted Beijing Shentong in 2011 an exclusive right to organize CRC competitions, develop business relating to CRC competitions in the PRC. The grant is national-wide and Beijing Shentong is authorized to cooperate with governmental associations from all provinces and cities across the PRC. Currently, only CRC training centers can be set up at schools.

Robot sports has gained increasing popularity in the PRC in recent years. The number of provinces and municipality with their own provincial robot sports competitions held soared from 2 in 2012 to 9 in 2014[11]. As a milestone, GAS announced in 2014 the host of the first national robot competition in 2015[12]. Beijing Shentong is the organizing party.

Robot Sports in Heilongjiang Province of the PRC

Heilongjiang Province of the PRC is one of the pioneer provinces in developing robot sports in the PRC. It is the first province to establish official robot sports association and competition committee, to organize official training to coaches and umpires and to host robot sports leagues. In 2013, Harbin Engineering University has set up the most state-of-art training center in robot sports field and gave classes to some 5,000 individuals and 400 coaches and umpires in its first year of operation[13].

Robot sports has grown exponentially in Heilongjiang Province of the PRC since 2011. According to China Insights Consultancy Limited, a market researcher, there were 68,430 robot sports course participants and 85 robot sports training centers in Heilongjiang Province of the PRC. Heilongjiang Shentong Group was the market leader in 2014, sharing 21.9% market share of participants. It was followed by Harbin Lelezhan (哈爾濱樂樂站) and Boca Robotics Club (博佳機器人俱樂部).

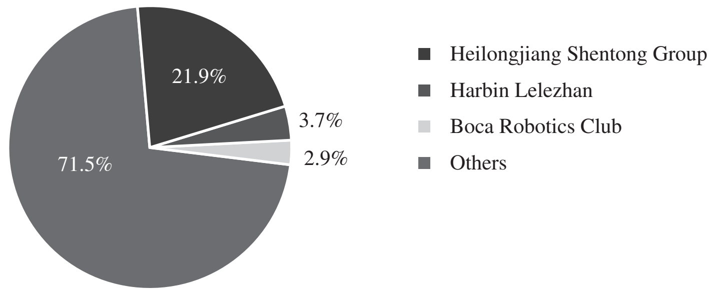
10 National School Sports Robot League establishment held in Beijing ("全國學校體育機器人聯盟成立大會在京隆重舉行"), http://www.crczgc.org/news/20150328/2842_1.html

11 Competition details ("賽事詳情"), http://user.cssrc.org:8080/user/User_searchByManyRequirement.action?provinceId=

12 Notice on delaying the first national robot competition by GAS ("體育總局社體中心關於推遲舉辦第一屆全國機器人運動大會的通知"), http://www.sport.gov.cn/n16/n33193/n33223/n35244/n2331659/5202090.html

13 2013 national social work conference on sport and the deployment meeting of the first robot competition held in Bin County ("2013年全國社會體育工作會議暨首屆機器人運動大會部署工作會議在賓縣召開"), http://www.sport.gov.cn/n16/n33193/n33238/n35034/n36336/4759532.html

Distribution of Robot sports course participants in Heilongjiang Province of the PRC in 2014



Source: China Insights Consultancy Limited

With the promotion of the China Robot Sports Working Committee, Qiqihar Korean Secondary School has included robot polo as a mandatory course for all students in school[14]. To cultivate robot sports as a sport for teenagers, Education Bureau in Qiqihar, the second largest city in Heilongjiang, has assigned bonus marks to primary pupils winning prizes in municipal or provincial robot sports competitions in their promotions to secondary schools. The honor is equivalent to publishing poems or fictions in provincial publications[15].

The Education Bureau is considering extending the bonus scheme to high school students. The number of athletes in robot sports in secondary schools is expected to grow further with the incentives provided.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the Exclusive Rights on the basis of fair market value in conformity with the *Uniform Standards of Professional Appraisal Practice*. *Fair market value* is defined as the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

Our investigation included discussions with the Management in relation to the history and nature of Heilongjiang Shentong Group's business, a review of Heilongjiang Shentong Group's historical results and financial projection for the period from 21 November 2015 to 31 March 2025 and the underlying assumptions (collectively the "Projection"), and other records and documents provided to us by the Management. Before arriving at our opinion of value, we have considered the following principal factors:

— The nature of the business and the history of Heilongjiang Shentong Group from its inception;

14 CRC robot polo included as compulsory course in Qiqihar Korean Secondary School ("CRC機器人馬球納入齊齊哈爾朝鮮族中學必修課"), http://cssrc.org/news/20150326/10270.html

15 Qiqihar high school enrollment manual ("齊齊哈爾市普通高中招生手冊(節選)"), http://cssrc.org/news/20140815/6746.html

— The nature and prospect of Robot sports in the PRC;

— The economic outlook in general and the specific economic and competitive elements affecting Heilongjiang Shentong Group's business, its industry and market;

— The earnings capacity of Heilongjiang Shentong Group;

— The past operating results of Heilongjiang Shentong Group;

— The Management's policies and strategies for the future;

— The existence of assets of an intangible nature;

— The potential of the target markets to be served;

— The financial and business risks of Heilongjiang Shentong Group and inherent uncertainties involved in its operation;

— Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor; and

— The Projection.

Due to the changing environment in which Heilongjiang Shentong Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded fair market value. The major assumptions adopted in this appraisal are:

— There will be no major changes in the existing political, legal, and economic conditions in the PRC in which Heilongjiang Shentong Group carries on its business;

— Effective tax rates, exchange rates and interest rates will not differ materially from those presently prevailing;

— There will be no major changes in the current taxation law in the PRC in which Heilongjiang Shentong Group operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

— Industry trends and market conditions for related industries will not deviate significantly from economic forecasts;

— Heilongjiang Shentong 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;

— Heilongjiang Shentong Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its profitability;

— The availability of finance will not be a constraint on the forecast growth of Heilongjiang Shentong Group's operations;

— Heilongjiang Shentong Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

— Heilongjiang Shentong Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

— Heilongjiang Shentong Group has obtained and will obtain all necessary permits, license, certificates and approvals to carry out its business;

— 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;

— A terminal growth rate of 3%, which reflects a long-term inflation rate in the PRC;

— It is assumed that without the Exclusive Rights, the number of customers retained by Heilongjiang Shentong Group will be similar to those of its existing close competitors;

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

— According to the legal opinion advised by the Legal Advisor, there is no legal impediment for Beijing Shentong to renew the CRC Organization Contract with SSDC. It is assumed that the CRC Organization Contract can be renewed and extended indefinitely; and

— The Service Agreement, the Heilongjiang CRC Authorization Supplemental Agreement and the CRC Shentong Card Payment System Heilongjiang Province Exclusive Right Authorization Agreement are duly executed.

For the purpose of this valuation, we were furnished with historical and projected financial information, as well as records and documents by the Management. We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair market value of the appraised Exclusive Right.

VALUATION METHODOLOGY

In our appraisal of the Exclusive Rights, we were furnished by the Management for the purpose of this appraisal, financial projections as well as other relevant records and documents. In arriving at our opinion of value, we have relied upon the Projection, records and documents, as well as financial and business information from other sources.

To develop our opinion of value for the Exclusive Rights, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach.

Income Approach

In the income approach, the discounted cash flow method will be used. In this method, the value depends on the present worth of future economic benefits to be derived from the asset. Thus, an indication of value was developed by discounting future cash flows to the acquiring company over the asset's estimate remaining useful economic life to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate).

Market Approach

In the market approach, the prices recently paid for similar assets is observed, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

Cost Approach

This approach seeks to measure the future benefits of ownership by quantifying the amount of money that would be required to purchase or reproduce the asset. The cost approach does not directly consider the amount of economic benefits that can be achieved or the time period over which they might continue. It is an inherent assumption with this approach that economic benefits indeed exist and are of sufficient amount and duration to justify the development expenditures.

The Exclusive Rights refers to being granted a right to organize CRC competition events, to enjoy economic benefits derived from the corresponding business development and to use the accompanying payment system in Heilongjiang Province or the PRC. The provision of robotic education and organization of robotic competition is a newly emerging industry not only in the PRC, but also worldwide. There is no deal on similar rights relating to organizing robotic competitions with the corresponding business development observed. As such, we do not have sufficient information to conclude an appraisal using the market approach.

The cost approach often serves as a valuation floor. Heilongjiang Shentong Group is expected to grow significantly with the Exclusive Rights acquired, the value of the Exclusive Rights is principally attributable to its future economic benefits to be brought rather than the cost to replace. Moreover, Beijing Shentong was granted a sole and exclusive right, it is not possible for Heilongjiang Shentong to purchase another one elsewhere.

On the other hand, in the application of income approach, the Management has to prepare projected cash flows. These cash flows can capture the future economic benefit brought by the Exclusive Rights, which is the main value drive. Consequently, we considered it appropriate, for this appraisal, to adopt the income approach.

The income approach technique adopted in this appraisal is known as the Multiperiod Excess Earnings Method ("MPEEM"). MPEEM is generally reserved for the value drivers, the intangibles with the most direct relationship to the revenue and cash flow streams of an enterprise. MPEEM measures the present value of the future earnings to be generated during the remaining lives of the subject asset. Using the business enterprise analysis as a starting point, pretax cash flows attributable to the all the target business' assets as at the Appraisal Date is calculated. Contributory charges on the other identified assets are then taken. Contributory asset charge is the product of the asset's fair value and the required rate of return on the asset.

It is important to note that the assumed fair value of the contributory asset is not necessarily static over time. The tangible assets may fluctuate throughout the forecast period, and returns are typically taken on estimated average balances in each year. Average balance of individual tangible asset subject to accelerated depreciation may decline as the deprecation outstrips capital expenditures in the early years of the forecast. While the carrying value of amortizable intangible assets declines over time, there is a presumption that such assets are replenished each year.

After the contributory charges and taxes are deducted from the pretax cash flows attributable to the Exclusive Rights, after-tax residual cash flows attributable to the Exclusive Rights can be arrived. The total present value of the Exclusive Rights is then calculated by discounting the residual cash flows at market-derived rate of return appropriate for the risks and hazards (i.e. discount rate).

Discount Rate of the Exclusive Rights

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. When developing a discount rate to apply to the cash flow streams attributable to the Exclusive Rights, the discount rate is the weighted average of cost of capital (the "WACC") of Heilongjiang Shentong Group plus an intangible asset premium. The WACC is the weighted sum of cost of equity and after tax cost of debt. The WACC is developed through the application of the Capital Asset Pricing Model ("CAPM").

CAPM

CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. The cost of equity for the Heilongjiang Shentong Group is the sum of the risk-free rate return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of the Heilongjiang Shentong Group versus those of the comparable companies, which include risk adjustments for size (the "Small Capitalization Risk Premium") and other risk factors in relation to the comparable companies (the "Company Specific Risk Premium").

The WACC was computed using the following formula:

$$WACC = (1\text{-}D)\ (R_f + R + E_{size} + E_{company}) + D\ (R_d)\ (1\text{-}T)$$

Where:

R_f = risk free return

R = risk premium

E_{size} = Small Capitalization Risk Premium

$E_{company}$ = Company Specific Risk Premium

D = average market debt to market value of invested capital ratio

R_d = cost of debt

T = corporate tax rate

In developing the discount rate for this valuation, we have adopted the 10-year long-term government bond rate in the PRC as at the Appraisal Date (i.e. 3.18%) as the risk-free return, the long term lending rate of the People's Bank of China as at the Appraisal Date (i.e. 4.90%) as the cost of debt and the average equity risk premium of the comparable companies (i.e. 8.09%) as that of Heilongjiang Shentong Group, then added on the Small Capitalization Risk Premium (i.e. 3.74%) and the Company Specific Risk Premium (i.e. 7.00%), in relation to the size and other risk factor differentials of Heilongjiang Shentong Group as compared with the comparable companies, and the market average debt to market value of invested capital ratio (i.e. 21.43%) to arrive at a discount rate of 18.08% for the WACC.

The average equity risk premium of the comparable companies is the average equity risk premium of each comparable company, which in turn is a product of market risk premium and the beta coefficient. The market risk premium in the PRC market is derived from adjusting the market risk premium in the U.S. market set forth in the 2015 Valuation Handbook — Guide to Cost of Capital by Duff & Phelps, LLC., a global valuation and corporate finance advisor, (i.e. 7.00%) by the proportion of the major indexes volatilities in the two markets in the past 10 years prior to the Appraisal Date (i.e. 1.59). The said volatilities and the beta coefficients are extracted from Bloomberg.

Small Capitalization Risk Premium

Small Capitalization Risk Premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from CAPM. We concluded that a small capitalization risk premium of 3.74%, with reference to the 2015 Valuation Handbook — Guide to Cost of Capital by Duff & Phelps, LLC., is appropriate for Heilongjiang Shentong Group.

Company Specific Risk Premium

The Company Specific Risk Premium associated with Heilongjiang Shentong Group are its start-up risks related to the successful establishment and implementation of its group business plan. Heilongjiang Shentong Group was established in 2013 uncertainty results from the lack of historical data to support the forecasted revenue in the Projection and as a newly start-up business, Heilongjiang Shentong Group requires some time to fine-tune its operations and marketing strategies. The industrial annual average growth rate in the number of robotics education participant between 2014 and 2019 estimated by China Insights Consultancy Limited is 36%. The high growth rate is uncommon amongst the comparable companies of Heilongjiang Shentong Group. Also, the Projection is highly dependent on the exclusivity of the Exclusive Rights. To reflect these risks, based on our professional judgement and expertise, an additional risk premium of 7.00% is applied in developing the WACC.

Intangible Asset Risk Premium

Intangible assets are considered to be the highest risk asset components of an overall business enterprise. These assets may have little, if any, liquidity, and poor versatility for redeployment elsewhere in the business. This increases their risks. A higher rate of return on these assets therefore is required. The Exclusive Rights is directly adhered to CRC Organization Contract, failure in renewing the CRC Organization Contract might happen in the future and hence impair the continuity of the subject cash flows. The value of the Exclusive Rights relative to the value of Heilongjiang Shentong Group is also considered. In this appraisal, based on our professional judgement and expertise, we adopted an intangible asset risk premium of 2.00%, resulting in aggregate post-tax discount rate of 19.65%, to reflect the additional risk for valuing the Exclusive Rights.

Selection of Comparable Companies

The cost of equity is the expected rate of return that an investor would demand for investing in the equity interest in a business enterprise given the risks of the investment.

A major requirement in generating the cost of equity is to identify companies that are comparable to Heilongjiang Shentong Group in terms of business nature and associated risks. In our valuation model, we have based on the following criteria: (1) within the field of event management and marketing, preferably sports related or non-tutorial extra-curricular activities given to primary and secondary students, (2) with competent management, (3) profitable, (4) with similar level of competition and (5) with similar development stage in the lifecycle as Heilongjiang Shentong Group.

A significant portion of the work of Heilongjiang Shentong Group is to encourage more schools and training organizations in Heilongjiang Province of the PRC to be registered as official CRC training centers via promotion, site visits and demonstrations, and training courses revenue is the major source of income of Heilongjiang Shentong Group. CRC sports is officially recognized as a sport event in the PRC, as thus the operation of Heilongjiang Shentong Group is highly sport and education related. Listed companies in the field of event management and market in sports related or non-tutorial extra-curricular actives would expose to business risk similar to Heilongjiang Shentong Group. There is no such company listed in the PRC, so we did not limit the geographic coverage to the PRC only in the course of our research. Heilongjiang Shentong Group is in an emerging industry, we considered top management having over 3 years' relevant experience in the field competent and we considered the same apply to the comparable companies of Heilongjiang Shentong Group. A loss making comparable company itself is not sustainable, and given that Heilongjiang Shentong Group has been profit making in the past 2 years, only a profit making comparable company would demonstrate earning capacity similar to Heilongjiang Shentong Group. Robot education is not a restricted market in the PRC, listed company being a monopoly or oligopoly would not be comparable to Heilongjiang Shentong Group. Heilongjiang Shentong Group is in the growth phase of its life cycle, comparable companies in their growth phases or mature phases, but not decline phase, would exhibit similar risks as Heilongjiang Shentong Group.

Based on the above criteria, we have exhaustively selected 5 comparable companies which are closely comparative to Heilongjiang Shentong Group. The business descriptions of the comparable companies are summarized below:

1. *Pico Far East Holdings Limited ("Pico") (Listed in Hong Kong, stock code: 752)*

   Pico is an investment holding company. The company, through its subsidiaries, designs exhibition stand and fabrication, museum interior fit outs, and advertising sign. Pico also organizes exhibition and conference, provides hall management services, and other activities.

2. *K12 Inc. ("K12") (Listed in United States, stock code: LRN)*

   K12 Inc. is a technology-based education company. The company offers proprietary curriculum, software and educational services created for online delivery to students in kindergarten through 12th grade, or K-12.

3. *The Madison Square Garden Company ("MSG") (Listed in United States, stock code: MSGN)*

   MSG is a holding company conducting its operations through direct and indirect subsidiaries. The company owns and operates sports franchises and hosts various venues including concerts, sporting events, and theatrical productions. MSG also owns networks including MSG Network and Fuse Network.

4. CERESPO CO., LTD. ("CCL") (Listed in Japan, stock code: 9625)

CCL plans and manages a wide range of ceremonies, general events, sports events, and sales promotional events for corporations, local communities, and other organizations. The Sports division is one of the six divisions CCL operates, it sets up venues for sports events, such as high school sports festivals and golf tournaments.

5. Tarsus Group PLC ("Tarsus") (Listed in United Kingdom, stock code: TRS)

Tarsus Group PLC is an international media company with interests in exhibitions, conferences, publications and online media that span across the Americas, Europe, Asia and the Middle East. The main activities of the segments are the production of exhibitions supported by other media activities related to those exhibitions.

The readers of this report should carefully consider the nature of Heilongjiang Shentong Group's business and the risks associated. This valuation is based on numerous assumptions which are inherently subject to significant economic uncertainties beyond the Management's control.

SENSITIVITY ANALYSIS

We have identified the discount rate and revenue growth rate in our model whose sensitivities on the fair market value of the Exclusive Rights owned by Heilongjiang Shentong Group are tested.

Our concluded fair market value of the Exclusive Rights owned by Heilongjiang Shentong Group increases from RMB295.8 million to RMB317.7 million as the discount rate decreases from 19.65% to 18.65%. On the other hand, the fair market value decreases from RMB295.8 million to RMB276.6 million as the discount rate increases from 19.65% to 20.65%.

Our concluded fair market value of the Exclusive Rights owned by Heilongjiang Shentong Group increases from RMB295.8 million to RMB337.8 million as the revenue growth rate increases by 10% higher than the ones forecasted by the Management. On the other hand, the fair market value decreases from RMB295.8 million to RMB253.8 million as the revenue growth rate decreases by 10% lower than the ones forecasted by the Management.

In the extreme case scenario that the CRC Organization Contract ends in 2021 and hence the life of Exclusive Rights ends in 2021, the market value of the Exclusive Rights owned by Heilongjiang Shentong Group would decrease from RMB295.8 million to RMB120.1 million. This information is for disclosure purpose only, the Management considers this extreme case scenario very remote and would be unlikely to take place as according to the legal opinion advised by the Legal Advisor, there is no legal impediment for Beijing Shentong to renew the CRC Organization Contract with SSDC.

Based on the results of our sensitivity analysis, the fair market value of the Exclusive Rights owned by Heilongjiang Shentong Group, excluding the extreme case scenario, falls in the range between RMB253.8 million and RMB337.8 million.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair market value of the Exclusive Rights as at **21 November 2015** is reasonably stated by the amount of **RENMINBI TWO HUNDRED NINETY FIVE MILLION EIGHT HUNDRED AND THIRTY THREE THOUSAND (RMB295,833,000)** only.

This opinion of value is contingent upon the assumptions and limiting conditions and the normal service conditions presented in this report. We have not investigated the title to or any liabilities against the property appraised. We do not provide assurance on the achievability of the results forecasted in the budget, provided by the Management because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of the Management. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This appraisal has been prepared solely for the purpose stated herein. This appraisal report should not be referred to, in whole or part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any party without our prior written consent.

We hereby certify that we have neither present nor prospective interests in Copious Link Group, Heilongjiang Shentong Group, their subsidiaries, the Exclusive Rights or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, *ASA*
Managing Director

Kelvin C.H. Chan, *FCCA, CFA*
Executive Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, China and the Asian region for various purposes since 1988. Mr. Kelvin C.H. Chan is a CFA Charter holder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

A. LETTER FROM THE FINANCIAL ADVISER

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

31 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 31 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**"). The Report is set out in Appendix IV of the circular of China Communication Telecom Services Company Limited (the "**Company**") dated 31 December 2015.

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 31 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
Managing Director

James Li
Director

B. LETTER FROM THE REPORTING ACCOUNTANTS

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

31 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 31 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 is included in the circular issued by China Communication Telecom Services Company Limited (the "Company") dated 31 December 2015 (the "Circular").

Directors' Responsibilities 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 16 to 17 of the Circular (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.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

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 29(2) of Appendix 1B 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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we 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

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 in this circular misleading.

SHARE CAPITAL

As at the Latest Practicable Date are set out as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid, or credited as fully paid:		*HK$*
1,294,697,017	Shares	12,946,970.17

Immediately following the Acquisition Completion (assuming no issue of new Shares, no repurchase of Shares and no exercise of share options granted under the Company's share option scheme from the Latest Practicable Date and up to the Acquisition Completion):

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid, or credited as fully paid:		*HK$*
2,220,444,365	Shares	22,204,443.65

DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in Shares and underlying Shares of the Company

Name of the Director	Capacity in which the Shares and underlying Shares are held	Number of Shares and underlying Shares	Approximate percentage of the Company's issued share capital
Bao Yueqing	Beneficial owner	2,844,000	0.22%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interest and short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Long positions in the Shares and underlying Shares

	Number of shares held				
Name of shareholder	**Personal interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate % of issued share capital**
CCC *(Note 1)*	—	356,542,000	—	356,542,000	27.54%
CCI	356,542,000	—	—	356,542,000	27.54%
Yang Shao Hui	209,032,256	—	—	209,032,256	16.15%
Friendly Capital Limited	109,900,000	—	—	109,900,000	8.49%

Notes:

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

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

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

1. the wealth management agreement dated 28 January 2014 entered into between Heilongjiang Shentong, as subscriber, and China Guangfa Bank, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB20 million;

2. the wealth management agreement dated 4 March 2014 entered into between Heilongjiang Shentong, as subscriber, and China Guangfa Bank, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB20 million;

3. the wealth management agreement dated 8 April 2014 entered into between Heilongjiang Shentong, as subscriber, and China Guangfa Bank, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB20 million;

4. the sale and purchase agreement dated 10 April 2014 entered into between Heilongjiang Shentong, as purchaser, and Mr. GU Qiang (顧強) and Mr. JIN Qinglin (金青林), as vendor, (as supplemented by a supplemental agreement dated 16 June 2014) to acquire the entire equity interest in Daqing Shentong at an aggregate consideration of RMB2,750,000;

5. the wealth management agreement dated 15 May 2014 entered into between Heilongjiang Shentong, as subscriber, and China Guangfa Bank, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB20 million;

6. the wealth management agreement dated 30 July 2014 entered into between Shentong Yijia, as subscriber, and Industrial and Commercial Bank of China, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB10 million;

7. the wealth management agreement dated 7 August 2014 entered into between Heilongjiang Shentong, as subscriber, and China Guangfa Bank, as the custodian bank, in respect of the subscription of principal-guaranteed with floating return wealth management product, for a subscription amount of RMB10 million; and

8. the Sale and Purchase Agreement;

9. the Letter Agreement; and

10. the Service Agreement.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or have given opinions, letter or advice contained in this circular:

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
RSM Hong Kong	Certified Public Accountants
Nuada Limited	A licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Grant Sherman Appraisal Limited	Professional valuer
China Insights Consultancy Limited	Industry consultant
China Commercial Law Firm	PRC legal advisers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular 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 Latest Practicable Date, 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.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interests in any assets which have been, since 31 March 2015 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member(s) of the Group, or which are proposed to be acquired or disposed of by or leased to any member(s) of the Group. The letters and recommendation given by the above experts are given as of the date of this circular for incorporation herein.

LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there is no contract or arrangement subsisting as at the date of this circular in which the Directors are materially interested and which is significant in relation to the business of the Enlarged Group.

INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2015 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member(s) of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member(s) of the Enlarged Group.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the Latest Practicable Date are Mr. Yip Tai Him (Chairman), Ms. Han Liqun and Ms. Zhang Li. They are the Independent Non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

Biographical information of each member of the Audit Committee is set out below:

Mr. Yip Tai Him ("Mr. Yip"), aged 45, joined the Group in October 2002. He is currently the chairman of each of the audit committee and remuneration committee and member of the nomination committee of the Company. He is responsible for reviewing the Company's annual report and accounts, half yearly reports and quarterly reports and to provide advices and comments thereon to the Board.

Mr. Yip is a practising accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of experience in accounting, auditing and financial management.

He was previously an independent non-executive director of iOne Holdings Limited (a company listed on the Stock Exchange), for the period from 8 April 2009 to 21 July 2014, Mega Medical Technology Limited (formerly known as Wing Tai Investment Holdings Limited) (a company listed on the Stock Exchange), for the period from 28 February 2001 to 20 June 2014, Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (a company listed on GEM), for the period from 13 December 2008 to 2 April 2015 and an independent non-executive director and non-executive director of Larry Jewelry International Company Limited (a company listed on GEM), for the period from 16 May 2014 to 15 October 2014 and 1 April 2014 to 16 May 2014 respectively. He is currently an independent non-executive director of GCL-Poly Energy Holdings Limited, Excel Development (Holdings) Limited, Sino Golf Holdings Limited and Redco Properties Group Limited (all are listed on the Stock Exchange) and Vinco Financial Group Limited (a company listed on GEM). Save as disclosed above, Mr. Yip did not hold any directorship in any other listed public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. There is no service contract entered into between Mr. Yip and the Company. The term of Mr. Yip's appointment is one year which can be terminated by one month's prior notice in writing served by either party. Mr. Yip's emoluments, which are determined based on the estimated time to be spent by him on the Company's matters, is HK$100,000 per annum. His emoluments are determined by reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions. Mr. Yip does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Yip has no interest in the Shares within the meaning of Part XV of the SFO. There is no information relating to Mr. Yip that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules. Save as disclosed herein, there are no other matters that needs to be brought to the attention of the Shareholders and the Stock Exchange.

Ms. Han Liqun ("Ms. Han"), aged 62, joined the Group in January 2014. She is currently a member of each of the audit committee, remuneration committee and nomination committee of the Company. She is responsible for reviewing the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advices and comments thereon to the Board.

Ms. Han holds a Bachelor degree of Instrumentation and Automation from Taiyuan University of Technology, a Master degree from the Institute of Computing Technology of the Chinese Academy of Sciences and a Doctorate degree of Pattern Recognition and Intelligent Systems from Beijing Institute of Technology. Ms. Han was a visiting research fellow at City University London.

Ms. Han has long been participated in the research in aspects such as artificial neural network theory and applications, pattern recognition and intelligent information processing as well as intelligent control and detection. She completed various significant scientific and technological research projects with outstanding results on pattern recognition and intelligent detection and control issues in light industry, chemical, agricultural, transportation and aerospace industries. Ms. Han also published 136 thesis and 11 books, some of which were included by various international literature institutions. Furthermore, she chaired and participated in over 20 scientific research projects, obtained 4 national invention patents and received a second prize from the first Wu Wenjun Artificial Intelligence Science Technology Awards.

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

Ms. Han is currently the executive vice president of Chinese Association for Artificial Intelligence, the Chairman of the Working Committee of Intelligence Products and Industry, the chairman of the Expert Committee of the Working Committee of the China Robotic Sports, the vice president of the Simulation Application Society of China Computer Users Association, the vice chairman of the Expert Committee of Life System Modeling and Simulation of China Institute of System Simulation, the member of the Expert Advisory Committee of the Chinese Association of Automation, the Deputy Director of the Editorial Board of "Computer Simulation" and the Associate Editor-in-Chief of "CAAI Transactions on Intelligent Systems".

Ms. Han's appointment is for one year and can be terminated by one month's prior notice in writing served by either party. Ms. Han's emoluments, which are determined based on the estimated time to be spent by her on the Company's matters, are HK$50,000 per annum. Her emoluments are determined by reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions. Ms. Han does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as being the Director, Ms. Han did not hold any directorship in any other listed public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Ms. Han has no interest in Shares within the meaning of Part XV of the SFO. There is no information relating to Ms. Han that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules. Save as disclosed herein, there are no other matters that needs to be brought to the attention of the Shareholders and the Stock Exchange.

Ms. Zhang Li ("Ms. Li"), aged 56, joined the Group in March 2014. She is currently a member of each of the audit committee, remuneration committee and nomination committee of the Company. She is responsible for reviewing the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advices and comments thereon to the Board.

Ms. Zhang holds a Bachelor of Engineering in Solid Mechanics from the Department of Mathematics and Mechanics of Henan University of Science and Technology, China, a Master of Engineering in Mechanical Design from the Department of Mechanical Design of Henan University of Science and Technology, China, and a Doctor of Engineering in Composite Materials from the School of Material Engineering of Wuhan University of Technology, China.

Ms. Zhang is currently a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students. She was also the dean of the School of Mechanical Automation, the dean of the School of Mechanical Engineering and the deputy director of the Office of Evaluation and Construction for Undergraduate Assessment of Beijing Technology and Business University. Since 2007, Ms. Zhang has been to Canada, Singapore, the United States, the United Kingdom, Australia and other countries for academic exchanges and visits.

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

Ms. Zhang, an Outstanding Teacher, has engaged in education for more than 32 years. She was awarded the title of National Excellent Teacher, Top Creative Talent in Beijing Universities and the award of Top Teacher in Beijing Universities. She has also been merited as the Backbone Teacher of Mechanical Engineering across the century. Ms. Zhang served as the leader of Beijing Academic Innovation Team and won the First Class Award for School Education and Teaching Achievement. She was responsible for the completion of the Country's "10th five-year" key planning issues for tertiary education "Research on the education reform of new international division for electrical and mechanical engineering" and the Beijing education reform project "Improvement, reform and discussion on the education system, methodology and contents of engineering mechanics". She was also funded by the Beijing inter-organisational talent project.

Ms. Zhang's appointment is for one year and can be terminated by one month's prior notice in writing served by either party. Ms. Zhang's emoluments, which are determined based on the estimated time to be spent by her on the Company's matters, are HK$50,000 per annum. Her emoluments are determined by reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions. Ms. Zhang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as being the Director, Ms. Zhang did not hold any directorship in any other listed public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Ms. Zhang has no interest in Shares within the meaning of Part XV of the SFO. There is no information relating to Ms. Zhang that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules. Save as disclosed herein, there are no other matters that needs to be brought to the attention of the Shareholders and the Stock Exchange.

GENERAL

(a) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(c) The company secretary of the Company is Mr. Yiu King Ming, who is a member of the Hong Kong Institute of Certified Public Accountants.

(d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The Company's compliance officer is Mr. Bao Yueqing.

(f) The English text of this circular will prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excluded) during normal business hours at the office of the Company at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM (being not less than 14 days):

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 March 2015;

(c) the first quarterly report of the Company for the three months ended 30 June 2015;

(d) the interim report of the Company for the six months ended 30 September 2015;

(e) the letter from the Board, the text of which is set out on pages 11 to 137 of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 138 to 139 of this circular;

(g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 140 to 185 of this circular;

(h) the accountants' report of the Target Group as set out in Appendix II to this circular;

(i) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(j) copy of the written consent referred to in the section headed "Expert and Consent" in this appendix;

(k) copies of the material contracts referred to in the section headed "Material Contracts" in this appendix;

(l) copies of the Customer Service Hotline Rental Contract, Server Hosting Agreement, Web Advertising Contract (Heilongjiang Shentong), Web Advertising Contract (Daqing Shentong), Heilongjiang Shentong CRC Shentong Card Payment System Contract, Daqing Shentong CRC Shentong Card Payment System Contract, Web Maintenance Contract, Harbin China Communication Skill Training Venue Rental Agreement, and China Communication Heilongjiang Bin County Branch Venue Rental Contract referred to in the section headed "Letter from the Board — Non-Exempt Continuing Connected Transactions", the text of which is set out on pages 32 to 48 of this circular;

(m) the valuation report prepared by the Valuer as set out in Appendix IV to this circular;

(n) the letters on profit forecast from the Financial Adviser and RSM Hong Kong as set out in Appendix V to this circular;

(o) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Communication Telecom Services Company Limited (the "**Company**") will be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 16 February 2016 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTION:

As special business, to consider and if though fit, to pass the following resolutions as ordinary resolutions:

1. "**THAT**:

   (a) the Sale and Purchase Agreement (as defined in the circular of the Company dated 31 December 2015 (the "**Circular**")), a copy of the Sale and Purchase Agreement have been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) entered into between the Company and Profuse Year Limited (the "**Vendor**"), pursuant to which the Company has agreed to acquire, and the Vendor has agreed to sell, the entire issued share capital of Copious Link Ventures Limited, at a total consideration of HK$30 million, upon the terms and subject to the conditions set out therein, the transactions contemplated thereunder or incidental to the Sale and Purchase Agreement, and all actions taken or to be taken by the Company pursuant to the Sale and Purchase Agreement; and as described in the Circular, be and are hereby approved, confirmed and ratified.

   (b) the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution."

2. "**THAT**:

   (a) the Directors be and are hereby generally and specifically authorised to allot and issue up to an aggregate of not more than 670,809,083 new shares in the share capital of the Company to independent professional, institutional and other investors (the "**Placing Specific Mandate**") subject to the terms and conditions as set out in the Circular, and the Directors be and are hereby authorised to do all such acts and things and to approve, sign and execute any documents for and on behalf of the Company as they may consider necessary, desirable or expedient to give effect to or in connection with the Placing

Specific Mandate, and that the Placing Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general or special mandate(s) which may from time to time be granted to the directors prior to or at the same time as the passing of this resolution."

3. "**THAT**:

(a) the Directors be and are hereby generally and specifically authorised to allot and issue up to an aggregate of not more than 254,938,265 new shares in the share capital of the Company to CCI (the "**Subscription Specific Mandate**") subject to the terms and conditions as set out in the Circular, and the Directors be and are hereby authorised to do all such acts and things and to approve, sign and execute any documents for and on behalf of the Company as they may consider necessary, desirable or expedient to give effect to or in connection with the Subscription Specific Mandate, and that the Subscription Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general or special mandate(s) which may from time to time be granted to the directors prior to or at the same time as the passing of this resolution."

4. "**THAT**:

(a) the Customer Service Hotline Rental Contract (as defined in the Circular, a copy of which has been produced to this meeting marked "B" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Customer Service Hotline Rental Contract as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition (as defined in the Circular) until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Customer Service Hotline Rental Contract and the transactions contemplated thereunder."

5. "**THAT**:

(a) the Server Hosting Agreement (as defined in the Circular, a copy of which has been produced to this meeting marked "C" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Server Hosting Agreement as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Server Hosting Agreement and the transactions contemplated thereunder.''

6. ''**THAT**:

(a) the Web Advertising Contract (Heilongjiang Shentong) (as defined in the Circular, a copy of which has been produced to this meeting marked ''D'' and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Web Advertising Contract (Heilongjiang Shentong) as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Web Advertising Contract (Heilongjiang Shentong) and the transactions contemplated thereunder.''

7. ''**THAT**:

(a) the Web Advertising Contract (Daqing Shentong) (as defined in the Circular, a copy of which has been produced to this meeting marked ''E'' and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Web Advertising Contract (Daqing Shentong) as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Web Advertising Contract (Daqing Shentong) and the transactions contemplated thereunder.''

8. ''**THAT**:

(a) the Heilongjiang Shentong CRC Shentong Card Payment System Contract (as defined in the Circular, a copy of which has been produced to this meeting marked ''F'' and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Heilongjiang Shentong CRC Shentong Card Payment System Contract as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the transactions contemplated thereunder."

9. "**THAT**:

(a) the Daqing Shentong CRC Shentong Card Payment System Contract (as defined in the Circular, a copy of which has been produced to this meeting marked "G" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Daqing Shentong CRC Shentong Card Payment System Contract as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Daqing Shentong CRC Shentong Card Payment System Contract and the transactions contemplated thereunder."

10. "**THAT**:

(a) the Website Maintenance Contract (as defined in the Circular, a copy of which has been produced to this meeting marked "H" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Website Maintenance Contract as stated in the Circular, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Website Maintenance Contract and the transactions contemplated thereunder."

11. "**THAT**:

(a) the Harbin China Communication Skill Training Venue Rental Agreement (as defined in the Circular, a copy of which has been produced to this meeting marked "I" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the Harbin China Communication Skill Training Venue Rental Agreement, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Harbin China Communication Skill Training Venue Rental Agreement and the transactions contemplated thereunder."

12. "**THAT**:

(a) the China Communication Heilongjiang Bin County Branch Venue Rental Contract (as defined in the Circular, a copy of which has been produced to this meeting marked "J" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;

(b) the annual caps in relation to the China Communication Heilongjiang Bin County Branch Venue Rental Contract, for each of the period commencing on the date of completion of the Acquisition until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the China Communication Heilongjiang Bin County Branch Venue Rental Contract and the transactions contemplated thereunder."

Yours faithfully
For and on behalf of the Board of
China Communication Telecom Services Company Limited
He Chenguang
Chairman

Hong Kong, 31 December 2015

Head Office and Principal Place of Business:
Units 2115–2116
21/F, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes:

(1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the EGM is enclosed with the circular of the Company dated 31 December 2015. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(4) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

(5) Any voting at the EGM shall be taken by poll.