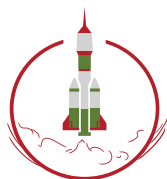


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shentong Robot Education Group Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Shentong Robot Education Group Company Limited
神通機器人教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

Nuada Limited

A notice convening the extraordinary general meeting (the “EGM”) 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 30 March 2021 at 11 a.m. is set out on pages EGM-1 to EGM-7 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company’s branch share registrar in Hong Kong, 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 (i.e. no later than 28 March 2021 at 11 a.m. (Hong Kong Time)) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the “Latest Company Announcements” page of the website of GEM 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.SRobotEdu.com.

PRECAUTIONARY MEASURES FOR THE EGM

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, staff and stakeholders from the risk of infection:

- **compulsory body temperature checks and health declarations**
- **recommended wearing of a surgical face mask for each attendee**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

12 March 2021

CHARACTERISTICS OF GEM

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

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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	7
Letter from the Independent Board Committee	40
Letter from the Independent Financial Adviser	42
Appendix — General Information	78
Notice of EGM	EGM-1

DEFINITIONS

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

“Board”	the board of Directors
“CCC”	神州通信集團有限公司 (China Communication Group Co., Ltd. [#]), a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in approximately 24.90% of the issued share capital of the Company through CCI, its wholly-owned subsidiary
“CCC Group”	CCC and its associates
“CCI”	神州通信投資有限公司 (China Communication Investment Limited [#]), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CCC
“CCT Agreements”	collectively, (i) the Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Heilongjiang Shentong Server Hosting Agreement; (iv) the Heilongjiang Shentong Web Advertising Contract; (v) the Yijia Customer Service Hotline Rental Contract; (vi) the Yijia Server Hosting Agreement; (vii) the Shentong Card Management and Sales Contract; and (viii) the Heilongjiang Operation and Management Contract
“China Communication Heilongjiang”	神州通信黑龍江有限公司 (China Communication Heilongjiang Co., Ltd. [#]), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of CCC
“China Communication Heilongjiang Bin County Branch”	神州通信黑龍江有限公司賓縣分公司 (China Communication Heilongjiang Co., Ltd. Bin County Branch Company [#]), a branch company of China Communication Heilongjiang
“China Communication Heilongjiang Mudanjiang”	神州通信黑龍江有限公司牡丹江公司 (China Communication Heilongjiang Co., Ltd. Mudanjiang Company [#]), a branch company of China Communication Heilongjiang
“Company”	Shentong Robot Education Group Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“CRC”	全國素質體育機器人運動會 (China Robot Competition [#])

DEFINITIONS

“CRC Shentong Cards”	an electronic smart card “Shentong Card” (神通卡) for use in payment for education and training courses in relation to CRC
“Designated Shentong Card(s)”	the designated “Shentong Card(s)” preloaded with certain insurance products of CCC
“Director(s)”	the director(s) of the Company, from time to time
“EGM”	the extraordinary general meeting of the Company to be convened and held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on 30 March 2021 at 11 a.m. for the purpose of considering and, if thought fit, approving, among other things, the CCT Agreements and the transactions contemplated thereunder
“Existing CCT Agreements”	collectively, (i) the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Existing Heilongjiang Shentong Server Hosting Agreement; (iv) the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract; (v) the Existing Harbin China Communication Skill Training Venue Rental Agreement; (vi) the Existing Heilongjiang Shentong Web Advertising Contract; (vii) the Existing Yijia Customer Service Hotline Rental Contract; (viii) the Existing Yijia Server Hosting Agreement; (ix) the Existing Shentong Card Management and Sales Contract; (x) the Existing Yijia Web Advertising Contract; and (xi) the Existing Heilongjiang Operation and Management Contract
“Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract”	the venue rental contract [#] (場地租賃合同) dated 9 February 2018 entered into between China Communication Heilongjiang Bin County Branch and Heilongjiang Shentong (as amended and supplemented)
“Existing Harbin China Communication Skill Training Venue Rental Agreement”	the venue rental agreement [#] (場地租賃協議) dated 9 February 2018 entered into between Heilongjiang Shentong and Harbin China Communication Skill Training (as amended and supplemented)
“Existing Heilongjiang Operation and Management Contract”	the operation and management agreement [#] (素質體育委託運營管理服務合同) entered into on 9 February 2018 between China Communication Heilongjiang Mudanjiang and Heilongjiang Shentong (as amended and supplemented)

DEFINITIONS

“Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract”	the user management contract [#] (用戶管理合同) entered into on 9 February 2018 between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130***全國號碼租用合同) dated 9 February 2018 entered into between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Server Hosting Agreement”	the data centre server hosting service agreement [#] (數據中心主機托管服務協議) dated 9 February 2018 entered into between CCC and Heilongjiang Shentong (as amended and supplemented)
“Existing Heilongjiang Shentong Web Advertising Contract”	the network advertising cooperation contract [#] (網絡廣告合作合同) dated 9 February 2018 entered into between China Communication Heilongjiang and Heilongjiang Shentong (as amended and supplemented)
“Existing Shentong Card Management and Sales Contract”	the telecom financial and insurance products service contract [#] (電信金融保險產品服務合同書) dated 9 February 2018 entered into between Shentong Yijia and CCC (as amended and supplemented)
“Existing Yijia Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130***全國號碼租用合同) dated 9 February 2018 entered into between Shentong Yijia and CCC (as amended and supplemented)
“Existing Yijia Server Hosting Agreement”	the server hosting agreement [#] (數據中心主機托管服務協議) dated 9 February 2018 entered into between Shentong Yijia and CCC (as amended and supplemented)
“Existing Yijia Web Advertising Contract”	the web advertising agreement [#] (網絡廣告發佈合同) dated 9 February 2018 entered into between Shentong Yijia and CCC (as amended and supplemented)
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Harbin China Communication Skill Training”	哈爾濱神州通信技能培訓有限公司 (Harbin China Communication Skill Training Co., Ltd [#]), a company established under the laws of PRC with limited liability and a wholly-owned subsidiary of CCC

DEFINITIONS

“Heilongjiang Operation and Management Contract”	the operation and management agreement [#] (素質體育委託運營管理服務合同) entered into on 4 February 2021 between China Communication Heilongjiang Mudanjiang and Heilongjiang Shentong
“Heilongjiang Shentong”	黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Co., Ltd. [#]), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Heilongjiang Shentong CRC Shentong Card Payment System Contract”	the user management contract [#] (用戶管理合同) in relation to the CRC Shentong Card payment system dated 4 February 2021 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130***全國號碼租用合同) dated 4 February 2021 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Server Hosting Agreement”	the data centre server hosting service agreement [#] (數據中心主機托管服務協議) dated 4 February 2021 entered into between CCC and Heilongjiang Shentong
“Heilongjiang Shentong Web Advertising Contract”	the network advertising cooperation contract [#] (網絡廣告合作合同) dated 4 February 2021 entered into between China Communication Heilongjiang and Heilongjiang Shentong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to the CCT Agreements
“Independent 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 as to the CCT Agreements
“Independent Shareholders”	Shareholders who are not interested in and are entitled to vote in the resolution in relation to the CCT Agreements and the transactions contemplated thereunder at the EGM

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Latest Practicable Date”	9 March 2021, being the latest practicable date prior to the bulk print of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Shentong Card”	an electronic smart card “Shentong Card” (神通卡) for use in payment of insurances, mobile and fixed line phone recharge fees, online trading fees, or CRC education and training courses, which includes the CRC Shentong Card and/or the Designated Shentong Card
“Shentong Card Management and Sales Contract”	the telecom financial and insurance products service contract [#] (電信金融保險產品服務合同書) entered into between Shentong Yijia and CCC on 4 February 2021
“Shentong Yijia”	北京神通益家科技服務有限公司(Beijing Shentong Yijia Technology Services Company Limited [#]), a company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yijia Customer Service Hotline Rental Contract”	the 95130*** nationwide number rental contract [#] (95130***全國號碼租用合同) entered into between Shentong Yijia and CCC on 4 February 2021
“Yijia Server Hosting Agreement”	the server hosting agreement [#] (數據中心主機托管服務協議) entered into between Shentong Yijia and CCC on 4 February 2021

DEFINITIONS

“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

English translation of the name for identification purpose only

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.20. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

LETTER FROM THE BOARD



Shentong Robot Education Group Company Limited
神通機器人教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

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:

PO 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

12 March 2021

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 4 February 2021 in relation to, among other things, the CCT Agreements and the transactions contemplated thereunder.

The purpose of this circular is to provide you with (i) further details of the CCT Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM.

On 4 February 2021, the Group entered into the CCT Agreements. The CCT Agreements are renewal of certain of the Existing CCT Agreements (other than the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract, the Existing Harbin China Communication Skill Training Venue Rental Agreement and the Existing Yijia Web

LETTER FROM THE BOARD

Advertising Contract). Save for the relatively significant adjustment to the proposed annual caps as compared to the historical annual caps under the Heilongjiang Shentong CRC Shentong Card Payment System Contract, the Heilongjiang Shentong Server Hosting Agreement and the Shentong Card Management and Sales Contract as illustrated in detail below, the key terms of the CCT Agreements, including the pricing policies and the scope of services, are substantially the same as the relevant Existing CCT Agreements (other than the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract, the Existing Harbin China Communication Skill Training Venue Rental Agreement and the Existing Yijia Web Advertising Contract).

Details of the CCT Agreements are set out below:

(i) Heilongjiang Shentong CRC Shentong Card Payment System Contract

- Date:** 4 February 2021
- Parties:** (i) CCC as supplier; and
(ii) Heilongjiang Shentong as purchaser
- Services:** CCC shall provide Heilongjiang Shentong with the right to use the CRC Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.
- Term:** Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.
- Pricing basis:** Heilongjiang Shentong shall pay a fee to CCC which is calculated as 6% of the overall income of Heilongjiang Shentong (including income from training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system.
- CCC had paid RMB4.5 million (equivalent to approximately HK\$5.4 million) of clearing security deposit (結算保證金) to Heilongjiang Shentong. CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven calendar days after the end of each month and CCC shall pay to Heilongjiang Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

LETTER FROM THE BOARD

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

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	7.77	6.32	0.14

The historical annual caps for the transactions under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual caps	8.50	11.00	12.50

The annual caps for the transaction amount under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

LETTER FROM THE BOARD

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong CRC Shentong Card Payment System Contract are set out below:

	For the year ending 31 March 2022 (RMB million)	For the year ending 31 March 2023 (RMB million)	For the year ending 31 March 2024 (RMB million)
Proposed annual caps	4.45	5.10	5.70

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

- (a) 6% of the historical revenues generated by the CRC Shentong Card; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

(ii) Heilongjiang Shentong Customer Service Hotline Rental Contract

Date:	4 February 2021
Parties:	(i) CCC as supplier; and (ii) Heilongjiang Shentong as purchaser
Services:	CCC shall provide a designated national customer service hotline number 95130*** to Heilongjiang Shentong.
Term:	Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.

LETTER FROM THE BOARD

Pricing basis:

CCC will charge Heilongjiang Shentong (i) an annual fee of RMB20,000 (equivalent to approximately HK\$24,000) which is on a pro-rata and 12-month-year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.072) per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK\$0.18) per minute for outgoing calls via internet through the “VoIP” (Voice-Over Internet Protocol) telephone system.

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

LETTER FROM THE BOARD

The annual fee shall be payable by Heilongjiang Shentong on 31 March for each of the three years ending 31 March 2022, 2023 and 2024, whereas the calling charges shall be settled by Heilongjiang Shentong monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Heilongjiang Shentong under the Heilongjiang Shentong Customer Service Hotline Rental Contract will be returned to Heilongjiang Shentong on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Heilongjiang Shentong fail to pay the service fee payable on time.

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

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019 (RMB million) (Audited)	For the year ended 31 March 2020 (RMB million) (Audited)	For the nine months ended 31 December 2020 (RMB million) (Unaudited)
Actual transaction amounts	2.85	2.77	0.61

LETTER FROM THE BOARD

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019 <i>(RMB million)</i>	For the year ended 31 March 2020 <i>(RMB million)</i>	For the year ending 31 March 2021 <i>(RMB million)</i>
Historical annual caps	2.90	3.30	3.60

The annual caps for the transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Customer Service Hotline Rental Contract are set out below:

	For the year ending 31 March 2022 <i>(RMB million)</i>	For the year ending 31 March 2023 <i>(RMB million)</i>	For the year ending 31 March 2024 <i>(RMB million)</i>
Proposed annual caps	2.00	2.25	2.50

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

- (a) the historical usage and transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

LETTER FROM THE BOARD

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

(iii) Heilongjiang Shentong Server Hosting Agreement

Date: 4 February 2021

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

Services: (a) Server hosting service

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

(b) Dedicated leased-lines

CCC will provide designated 300M bandwidth share of the broadband leased lines to Heilongjiang Shentong for the operation of its website. CCC will also provide 90 IP addresses and not more than 7 racks of servers for the use of Heilongjiang Shentong.

Term: Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.

Pricing basis: CCC will charge Heilongjiang Shentong a fee of RMB80,000 (equivalent to approximately HK\$96,000) per month for each rack of servers used by Heilongjiang Shentong for the provision of server hosting service and dedicated leased-lines which shall be payable quarterly in advance.

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

LETTER FROM THE BOARD

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

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019 (RMB million) (Audited)	For the year ended 31 March 2020 (RMB million) (Audited)	For the nine months ended 31 December 2020 (RMB million) (Unaudited)
Actual transaction amounts	7.68	7.36	1.44

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Server Hosting Agreement for the three years ending 31 March 2021 are set out below:

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

The annual caps for the transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

LETTER FROM THE BOARD

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Server Hosting Agreement are set out below:

	For the year ending 31 March 2022 (RMB million)	For the year ending 31 March 2023 (RMB million)	For the year ending 31 March 2024 (RMB million)
Proposed annual caps	4.80	5.76	6.72

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

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$96,000) per month for each server used;
- (b) the historical usage and transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement;
- (c) the estimated number of racks of servers required for the years ending 31 March 2022, 2023 and 2024 of 5, 6 and 7 respectively; and
- (d) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

(iv) Heilongjiang Shentong Web Advertising Contract

Date: 4 February 2021

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

LETTER FROM THE BOARD

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

Term: Subject to approval by the Independent Shareholders, the term shall be the period commencing on 1 April 2021 and ending on 31 March 2024.

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

- (i) from 08:20 to 12:19 (i.e. 4 hours in total), RMB14,000 (equivalent to approximately HK\$16,800) per day for the 4-hour period with a discount of 35%;
- (ii) from 12:20 to 15:19 (i.e. 3 hours in total), RMB12,000 (equivalent to approximately HK\$14,400) per day for the 3-hour period with a discount of 35%;
- (iii) from 15:20 to 19:19 (i.e. 4 hours in total), RMB15,000 (equivalent to approximately HK\$18,000) per day for the 4-hour period with a discount of 35%;
- (iv) from 19:20 to 22:19 (i.e. 3 hours in total), RMB18,800 (equivalent to approximately HK\$22,560) per day for the 3-hour period with a discount of 35%; and
- (v) from 22:20 to 01:19 (i.e. 3 hours in total), RMB10,000 (equivalent to approximately HK\$12,000) per day for the 3-hour period with a discount of 35%.

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

LETTER FROM THE BOARD

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	2.70	2.85	2.15

The historical annual caps for the transactions under the Existing Heilongjiang Shentong Web Advertising Contract for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual caps	2.70	3.00	3.30

The annual caps for the transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Shentong Web Advertising Contract are set out below:

	For the year ending 31 March 2022	For the year ending 31 March 2023	For the year ending 31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps	2.90	2.90	2.90

LETTER FROM THE BOARD

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

- (a) the contract price for the section of 12:20 to 15:19 (i.e. 3 hours in total) of RMB12,000 (equivalent to approximately HK\$14,400) per section with a discounted price of RMB7,800 (equivalent to approximately HK\$9,360) per section;
- (b) the estimated number of sections to be used for the years ending 31 March 2022, 2023 and 2024 of 365, 365 and 365 respectively; and
- (c) the historical usage and transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract.

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

(v) Yijia Customer Service Hotline Rental Contract

Date:	4 February 2021
Parties:	(i) CCC as supplier; and (ii) Shentong Yijia as purchaser
Services:	CCC shall provide a designated national customer service hotline number 95130*** to Shentong Yijia.
Term:	Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.
Pricing basis:	CCC will charge Shentong Yijia (i) an annual fee of RMB20,000 (equivalent to approximately HK\$24,000) which is on a pro-rata and 12-month-year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.072) 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.

LETTER FROM THE BOARD

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

The annual fee shall be payable by Shentong Yijia on 31 March for each of the three years ending 31 March 2022, 2023 and 2024, whereas the calling charges shall be settled by Shentong Yijia monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Shentong Yijia under the Yijia Customer Service Hotline Rental Contract will be returned to Shentong Yijia on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the service fee payable on time.

LETTER FROM THE BOARD

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

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	1.47	0.98	0.09

The historical annual caps for the transactions under the Existing Yijia Customer Service Hotline Rental Contract for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual caps	1.50	1.60	1.70

The annual caps for the transaction amount under the Existing Yijia Customer Service Hotline Rental Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Yijia Customer Service Hotline Rental Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

LETTER FROM THE BOARD

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Yijia Customer Service Hotline Rental Contract are set out below:

	For the year ending 31 March 2022 (RMB million)	For the year ending 31 March 2023 (RMB million)	For the year ending 31 March 2024 (RMB million)
Proposed annual caps	0.30	0.30	0.30

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

- (a) the historical usage and transaction amount under the Existing Yijia Customer Service Hotline Rental Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

(vi) Yijia Server Hosting Agreement

- Date:** 4 February 2021
- Parties:**
- (i) CCC as supplier; and
 - (ii) Shentong Yijia as purchaser
- Services:**
- (a) Server hosting service

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

LETTER FROM THE BOARD

(b) Dedicated leased-lines

CCC will provide designated 300M bandwidth share of the broadband leased lines to Shentong Yijia for the operation of its website. CCC will also provide 90 IP addresses and not more than 1 rack of servers for the use of Shentong Yijia. CCC will also supply 2,200W (10A) electricity for each rack of servers rented to Shentong Yijia.

Term: Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.

Pricing basis: CCC will charge Shentong Yijia a fee of RMB80,000 (equivalent to approximately HK\$96,000) per month for each rack of servers used by Shentong Yijia for the provision of server hosting service and dedicated leased-lines which shall be payable quarterly in advance.

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

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

LETTER FROM THE BOARD

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	5.76	2.40	0.72

The historical annual caps for the transactions under the Existing Yijia Server Hosting Agreement for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual caps	6.72	6.72	6.72

The annual caps for the transaction amount under the Existing Yijia Server Hosting Agreement for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Yijia Server Hosting Agreement for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Yijia Server Hosting Agreement are set out below:

	For the year ending 31 March 2022	For the year ending 31 March 2023	For the year ending 31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps	0.96	0.96	0.96

LETTER FROM THE BOARD

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

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$96,000) per month for each rack of servers used;
- (b) the estimated number of rack of servers required for the years ending 31 March 2022, 2023 and 2024 of 1, 1 and 1 respectively;
- (c) the usage of 1 rack of servers for the nine months ended 31 December 2020; and
- (d) the expected number of servers in-line being unchanged for the three years ending 31 March 2024.

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

(vii) Shentong Card Management and Sales Contract

- Date:** 4 February 2021
- Parties:**
- (i) Shentong Yijia as supplier; and
 - (ii) CCC as purchaser
- Services:** The services to be provided by Shentong Yijia to CCC include:
- (i) management and sale of the Designated Shentong Cards;
 - (ii) assisting CCC in the after-sale services for the Designated Shentong Card;
 - (iii) following up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and
 - (iv) customer management service, and promotion and marketing of the Designated Shentong Card.
- Term:** Subject to approval by the Independent Shareholders, the term shall be from the period commencing on 1 April 2021 and ending on 31 March 2024.

LETTER FROM THE BOARD

Pricing basis:

- (a) Issuance handling fees of RMB5 (equivalent to approximately HK\$6) for each Designated Shentong Card issued by Shentong Yijia;
- (b) Sale commission of RMB3 (equivalent to approximately HK\$3.6) for the insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia;
- (c) Technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Shentong Yijia; and
- (d) Sales commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products.

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

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

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

LETTER FROM THE BOARD

Historical transaction amounts and annual caps

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

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Actual transaction amounts	18.90	8.47	0.43

The historical annual caps for the transactions under the Existing Shentong Card Management and Sales Contract for the three years ending 31 March 2021 are set out below:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical annual caps	27.00	29.00	31.00

The annual caps for the transaction amount under the Existing Shentong Card Management and Sales Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Shentong Card Management and Sales Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Shentong Card Management and Sales Contract are set out below:

	For the year ending 31 March 2022	For the year ending 31 March 2023	For the year ending 31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps	2.55	2.55	2.55

LETTER FROM THE BOARD

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

- (a) the historical usage and transaction amount under the Existing Shentong Card Management and Sales Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

(viii) Heilongjiang Operation and Management Contract

Date: 4 February 2021

Parties:

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

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

- (i) user management and development in venues;
- (ii) communication with schools and relevant governmental authorities;
- (iii) venue safety, facilities maintenance, organisation of competitions;
- (iv) handling of user complains under the supervision of Heilongjiang Shentong and the relevant governmental authorities; and
- (v) local marketing and promotion.

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

LETTER FROM THE BOARD

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

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

Term: Subject to approval by the Independent Shareholders, the term shall be the period commencing on 1 April 2021 and ending on 31 March 2024.

Pricing basis: Heilongjiang Shentong shall pay a fee to China Communication Heilongjiang Mudanjiang which is calculated as 15% of the overall income of the operation of the training centre of Heilongjiang Shentong in Mudanjiang, Heilongjiang which payment is made through and processed by the CRC Shentong Card integrated payment management system.

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

Historical transaction amounts and annual caps

The actual transaction amounts under the Existing Heilongjiang Operation and Management Contract for the relevant periods are set out below:

	For the year ended 31 March 2019 (RMB million) (Audited)	For the year ended 31 March 2020 (RMB million) (Audited)	For the nine months ended 31 December 2020 (RMB million) (Unaudited)
Actual transaction amounts	0.50	1.20	0.04

LETTER FROM THE BOARD

The historical annual caps for the transactions under the Existing Heilongjiang Operation and Management Contract for the three years ending 31 March 2021 are set out below:

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

The annual cap for the transaction amount under the Existing Heilongjiang Operation and Management Contract for the two years ended 31 March 2020 have not been exceeded. The Directors have been monitoring the transaction amount under the Existing Heilongjiang Operation and Management Contract for the year ending 31 March 2021 to ensure the annual cap for the year ending 31 March 2021 has not been exceeded. As at the Latest Practicable Date, the annual cap for the year ending 31 March 2021 has not been exceeded.

Proposed annual caps

For each of the three years ending 31 March 2024, the proposed maximum annual aggregate transaction amounts under the Heilongjiang Operation and Management Contract are set out below:

	For the year ending 31 March 2022 (RMB million)	For the year ending 31 March 2023 (RMB million)	For the year ending 31 March 2024 (RMB million)
Proposed annual caps	0.85	1.00	1.10

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

- (a) the historical usage and transaction amount under the Existing Heilongjiang Operation and Management Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

LETTER FROM THE BOARD

PRICING POLICY AND INTERNAL CONTROL

The basis of determining the prices of the services to or from the Group under each of the CCT Agreements (except the Shentong Card Management and Sales Contract and Heilongjiang Operation and Management Contract where there is no comparable service in the market) will be in accordance with the prevailing market prices of similar services and based on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar services, taking into account the price of the same or substantially similar services with comparable order quantities and quality offered to/by other suppliers; and
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those currently offered by the Group to, or received by the Group from, independent third parties in respect of the same or substantially similar products or services with comparable quantities.

In this regard, in relation to the services to or from the Group under each of the CCT Agreements, the Finance Department of the Company will invite quotations from at least 2 independent supplier(s) and review at least 5 similar contract(s) between the CCC Group as supplier and independent purchasers (except the Shentong Card Management and Sales Contract and Heilongjiang Operation and Management Contract for which there are no comparable service in the market; and for the Heilongjiang Shentong CRC Shentong Card Payment System Contract, only 5 similar contracts between the CCC Group and independent purchasers were reviewed as the CRC Shentong Card integrated payment management system as provided for use by CCC is a tailor-made system which is not readily available in the market), to get a reference on the prevailing market prices for the relevant services to be procured. Such quotations and/or similar contracts will be reviewed and evaluated from both the technical and commercial perspectives by the Finance Manager of the Company compared against the pricing basis under the CCT Agreements to ensure that the services to be procured under the CCT Agreements are better than or at least the same as the prices and terms for such services being offered by independent third parties thereby ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

To ensure that the actual prices for the transactions under the CCT Agreements are on normal commercial terms and on terms no less favourable to the Group than that available from independent third party suppliers, the Finance Department of the Company will conduct regular checks to review and assess whether the products have been supplied or purchased in accordance with the terms of the relevant agreement.

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

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

LETTER FROM THE BOARD

Heilongjiang Shengtong is principally engaged in the CRC Education Business (as defined below). Shengtong Yijia is principally engaged in the Shengtong Card Business (as defined below).

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

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

China Communication Heilongjiang Mudanjiang is a branch company of China Communication Heilongjiang. China Communication Heilongjiang Mudanjiang is principally engaged in providing telecommunication services in the PRC.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE CCT AGREEMENTS

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

Amongst the CCT Agreements, (i) the Heilongjiang Shengtong CRC Shengtong Card Payment System Contract; (ii) the Heilongjiang Shengtong Customer Service Hotline Rental Contract; (iii) the Heilongjiang Shengtong Server Hosting Agreement; (iv) Heilongjiang Shengtong Web Advertising Contract; and (v) the Heilongjiang Operation and Management Contract are conducted in the ordinary course of and are essential to the operations of the CRC Education Business.

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

As disclosed in the 2020 interim report of the Company, the Group is the sole organiser of CRC events in Heilongjiang Province with the approval of the General Administration of Sport of China. By organising a diversified series of CRC events in Heilongjiang Province, the Group effectively promoted the popularity and development of quality robot education and makes it take root in the province and develop more related talent. As the CRC Shengtong Card that the Group promote is the only integrated educational billing card in the PRC used for payment and smart management in connection with CRC events and relevant CRC education and training (collectively, the “**CRC Education**”), the overall income (including income from

LETTER FROM THE BOARD

training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system is accordingly benefited by the aforesaid source of revenues from the CRC events and CRC Education.

Shentong Cards are one of the electronic smart cards in the PRC which have the functions of online payment and intelligent management platform. 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.

As the Group's revenue has been mainly contributed by the CRC Education Business and the Shentong Card Business, the Directors are of the view that it is beneficial to the Group to renew the CCT Agreements.

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

Based on the above, the Directors (excluding the independent non-executive Directors whose view will be included in the circular after taking into account the advice from the independent financial adviser) consider that the entering into of the CCT Agreements are in the ordinary course of business of the Group and that the terms of the CCT Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

THE GROUP'S INDEPENDENCE FROM THE CCC GROUP

In assessing the Group's independence from the CCC Group in light of the entering into of the CCT Agreements, the Directors have taken into account the following factors, which are set out and analyzed below:

(i) whether the business model can easily be changed to reduce the level of reliance

CCC Group as supplier

The services provided by the CCC Group are mainly telecommunication and other supporting services which most of them are generic and readily available from other independent suppliers. However, as the supply of services are conducted on commercial terms or better and in the ordinary and usual course of business of the Group, it is in the commercial interests of the Group to continue to procure such services from the CCC Group who had a long-term and smooth working relationship with the Group rather than to engage other suppliers who would not be able to provide such favourable terms to the Group.

LETTER FROM THE BOARD

The Directors consider most of the services provided by the CCC Group under the CCT Agreements are generic and readily available from independent suppliers and, except for CCT Agreements marked as not generic and readily available from third parties below, similar services could be obtained from the open market. Please see below summary of the factors the Directors have considered in reaching the above view:

Name of CCT Agreement	Generic and readily available from third parties?	Is it technically feasible to switch to another supplier?	Is it commercially feasible to switch to another supplier?	Impact on the Group's operation if it is to switch to another supplier
Heilongjiang Shentong CRC Shentong Card Payment System Contract	No. 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 the CRC Shentong Card integrated payment management system. As such, it is currently not possible to engage another supplier. <i>(Note)</i>	No	Not applicable	Not applicable
Heilongjiang Shentong Customer Service Hotline Rental Contract	Yes	Yes	Yes	Transitional inconvenience
Heilongjiang Shentong Server Hosting Agreement	Yes	Yes	Yes	Transitional inconvenience
Heilongjiang Shentong Web Advertising Contract	Yes	Yes	Yes	Transitional inconvenience
Yijia Customer Service Hotline Rental Contract	Yes	Yes	Yes	Transitional inconvenience
Yijia Server Hosting Agreement	Yes	Yes	Yes	Transitional inconvenience
Heilongjiang Operation and Management Contract	No. As specific management and operational experience is required to supply such services which is not readily available in the open market.	No. It is even more feasible for the Group to operate itself than to engage a new supplier.	Not applicable	Not applicable

LETTER FROM THE BOARD

Note: In the extreme case that the Group's business relationship with the CCC Group or the services provided by the CCC Group under the Heilongjiang Shentong CRC Shentong Card Payment System Contract is ceased, the Group will use its best endeavours to procure a new supplier for the provision of a similar payment management system to be approved 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) so that the Group's operation will not be materially affected. In this regard, the Group has (i) contacted a third party telecommunication services supplier and confirmed that the supplier has the necessary skills and expertise, and is willing to develop such payment management system if required by the Group; and (ii) had a meeting with representatives of the CCC Group and the working committee of the CRC and agreed that each party will use its best endeavours to ensure the smooth transition to a new payment management system in case the CCC Group cease to provide the existing payment management system to the Group.

CCC Group as customer

As at the date hereof, all the revenue of the Group's Shentong Card Business is derived from CCC Group which accounted for 12.5% and approximately 7.4% of the Group's revenue for the year ended 31 March 2019 and 2020, respectively. Meanwhile, the remaining revenue of the Group is mainly derived from the Group's CRC Education Business, the customers of which are independent parties such as CRC students.

In case the Shentong Card Business is ceased, the Group can still maintain sufficient operation and revenue via its CRC Education Business.

(ii) whether the level of reliance is likely to decrease in the future, and whether the level of reliance is actually on decreasing trend based on the latest management accounts

Both the purchases from the CCC Group as a percentage of the total expenses of the Group and the sales to the CCC Group as a percentage of the total sales of the Group are on decreasing trend since the year 2018 and it is expected to further decrease over the next few years. Based on the proposed annual caps of the Shentong Card Management and Sales Contract and the Company's forecast of the total revenue of the Group for each of the three years ending 31 March 2022, 2023 and 2024, it is expected that the revenue from the CCC Group will represent approximately 8.42%, 5.16% and 3.64% of the forecast total revenue of the Group for each of the three years ending 31 March 2022, 2023 and 2024, respectively.

(iii) whether the whole industry landscape is dominated by a few market players so the reliance is inevitable

CCC Group as supplier

As submitted above, the services provided by the CCC Group are mainly telecommunication and other supporting services which most of them are generic and readily available from other independent suppliers.

LETTER FROM THE BOARD

CCC Group as customer

As at the date hereof, all the revenue of the Group's Shentong Card Business is derived from CCC Group.

As the Designated Shentong Cards are issued by CCC and selling of them are to be authorised by CCC, CCC is the sole customer to the Shentong Card Business. Nevertheless, the Group is and will be the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards by virtue of the Existing Shentong Card Management and Sales Contract and the Shentong Card Management and Sales Contract.

(iv) whether the reliance is mutual and complementary

CCC Group as supplier

The services provided by the CCC Group are mainly telecommunication and other supporting services in relation to the CRC Education Business. The Group is the only enterprise authorised by Beijing Shentong Culture Club Co., Ltd.[#] (which 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) at a national level) and consented by Heilongjiang General Administration of Sport[#] (黑龍江省體育總局) to host CRC events and provide related CRC education and training in Heilongjiang Province. As such, CCC Group is also reliant and dependent on the Group for the provision of such services and cannot source another customer for the CRC Education Business.

CCC Group as customer

The Group is and will be the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards by virtue of the Existing Shentong Card Management and Sales Contract and the Shentong Card Management and Sales Contract. As such, CCC Group is also reliant and dependent on the Group for the provision of such services and cannot source another supplier for providing such services.

(v) whether the Group is capable of maintaining its revenue in case the operation with the CCC Group is terminated

In relation to the CRC Education Business, as submitted above, the services provided by the CCC Group are mainly telecommunication and other supporting services which most of them are generic and readily available from other independent suppliers. As such, the Group will be able to maintain its operation in the CRC Education Business by procuring other independent suppliers (although it may not be in the commercial interests of the Group to do so, as submitted above). In addition, the Group will still be able to maintain sufficient operation and revenue via its Shentong Card Business which amounted to approximately HK\$9.5 million for the year ended 31 March 2020.

LETTER FROM THE BOARD

On the other hand, in case the operation with the CCC Group is terminated, the Shentong Card Business will cease. However, the Group can still maintain sufficient operation and revenue via its CRC Education Business which amounted to approximately HK\$119.3 million for the year ended 31 March 2020.

Conclusion

Due to the factors and as analyzed above, the Board is of the view that the Group's reliance and dependence (if any) on the CCC Group is not excessive. In light of the aforesaid factors, in particular, given the long-term and smooth working relationship of the Group with the CCC Group, the mutual and complementary reliance of the CCC Group and the Group and that interests of CCC, being a substantial shareholder of the Company, and the Company align, the Board is therefore of the view that the relationship with the CCC Group is unlikely to materially adversely change or terminate. Further, as analyzed above, the Board is of the view that even in the extreme and unlikely event that the Group's business relationship with the CCC Group has any material adverse change or terminates, the Group will be able to effectively mitigate the exposure to such material adverse changes to or termination of relationship with CCC Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

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

China Communication Heilongjiang, a company established in the PRC with limited liability, is a wholly-owned subsidiary of CCC and therefore a connected person of the Company. China Communication Heilongjiang Mudanjiang is a branch company of China Communication Heilongjiang.

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

None of the Directors has a material interest in the transactions contemplated under the CCT Agreements and accordingly, none of them is required to abstain from voting at the Board's meeting to approve the CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the CCT Agreements (including their respective annual caps) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 40 to 41 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 42 to 77 of this circular.

EGM

Set out on pages EGM-1 to EGM-7 of this circular is a notice convening the EGM which 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 30 March 2021 at 11 a.m. at which ordinary resolutions will be proposed to approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, 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 (i.e. no later than 28 March 2021 at 11 a.m. (Hong Kong Time)) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the form of proxy shall be deemed to be revoked.

The voting in relation to the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder at the EGM will be conducted by way of a poll.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CCI and its associates are entitled to exercise control over the voting rights in the 472,042,000 Shares held by CCI, representing approximately 24.90% 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 CCI 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 CCT Agreements and will be required to abstain from voting on the resolution(s) to approve the CCT Agreements and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interest in the CCT Agreements and the transactions contemplated thereunder that is required to abstain from voting and being counted towards the quorum on the relevant resolutions at the EGM.

RECOMMENDATION

Having considered the reasons set out herein and taken into account the advice of the Independent Financial Adviser, the Directors are of the view that the CCT Agreements were entered into on normal commercial terms, and the terms of the CCT Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 to 41 of this circular which contains its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 42 to 77 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the CCT Agreements and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving its opinions.

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

Yours faithfully,
For and on behalf of the Board
Shentong Robot Education Group Company Limited
He Chenguang
Chairman



Shentong Robot Education Group Company Limited
神通機器人教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

12 March 2021

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 12 March 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee and to advise you as to whether, in our opinion, the terms of the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder are fair and reasonable, whether the CCT Agreements and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote with respect to the resolutions to be proposed at the EGM to approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 42 to 77 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 39 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms and conditions of the CCT Agreements (including but not limited to their respective annual caps), the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
Shentong Robot Education Group Company Limited

Mr. Yip Tai Him
*Independent non-executive
Director*

Ms. Han Liqun
*Independent non-executive
Director*

Ms. Zhang Li
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 12 March 2021 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606, 16/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16樓1606室

12 March 2021

*To the Independent Board Committee and the Independent Shareholders of
Shentong Robot Education Group Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 12 March 2021 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

As the Existing CCT Agreements will be expired on 31 March 2021, on 4 February 2021, the Group and the counterparties entered into the CCT Agreements. The Company and the counterparties agreed to, subject to approval by the Independent Shareholders at the EGM, renew the Existing CCT Agreements (other than the Existing China Communication Heilongjiang Bin County Branch Venue Rental Contract, the Existing Harbin China Communication Skill Training Venue Rental Agreement and the Existing Yijia Web Advertising Contract).

On 4 February 2021, the Group entered into the following CCT Agreements:

- (i) Heilongjiang Shentong CRC Shentong Card Payment System Contract;
- (ii) Heilongjiang Shentong Customer Service Hotline Rental Contract;
- (iii) Heilongjiang Shentong Server Hosting Agreement;
- (iv) Heilongjiang Shentong Web Advertising Contract;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) Yijia Customer Service Hotline Rental Contract;
- (vi) Yijia Server Hosting Agreement;
- (vii) Shentong Card Management and Sales Contract; and
- (viii) Heilongjiang Operation and Management Contract.

CCC is a connected person to the Company by virtue of its interest in approximately 24.90% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is 中國海外貿易哈爾濱王子葡萄酒有限公司 (China Overseas Trade Harbin Province Wine Co. Limited*), a company established in the PRC with limited liability and its ultimate beneficial owner is 中國海外貿易總公司 (China National Overseas Trading Corporation*), a state-owned company principally engaged in investment holding.

China Communication Heilongjiang, a company established in the PRC with limited liability, is a wholly-owned subsidiary of CCC and therefore a connected person of the Company. China Communication Heilongjiang Mudanjiang is a branch company of China Communication Heilongjiang.

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

None of the Directors has a material interest in the transactions contemplated under the CCT Agreements and accordingly, none of them is required to abstain from voting at the Board's meeting to approve the CCT Agreements and the transactions contemplated thereunder.

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

We are independent from, and are not connected with the Company, its substantial shareholder(s) or connected person(s) as defined under Rule 17.96 of the GEM Listing Rules, and accordingly are considered eligible to give independent advice in connection with CCT Agreements and the transactions contemplated thereunder. Save for this appointment as the

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder, during the past two years immediately preceding and up to the date of our appointment, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with this appointment, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, including (i) the CCT Agreements; (ii) the annual reports of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”) and 31 March 2020 (the “**2020 Annual Report**”), respectively; (iii) the interim report of the Company for the six months ended 30 September 2020 (the “**2020 Interim Report**”); (iv) letters of confirmation issued by the independent non-executive Directors of the Company for the Existing CCT Agreements; (v) the independent auditor’s assurance reports issued by the auditors of the Company for the Existing CCT Agreements; (vi) the comparable agreements with similar terms as the CCT Agreements provided by the Management; (vii) the quotations obtained from the other Independent Third Parties by the Management; and (viii) this circular.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the terms of each of the CCT Agreements (including but not limited to their relevant annual caps), we have taken into account the following principal factors and reasons:

I. Background information on the Group and the connected persons

The Group

According to the Management, the Board Letter and the 2020 Interim Report, the Group is principally engaged in (i) the provision of promotion and management services for Designated Shentong Card in the PRC (the “**Shentong Card Business**”); and (ii) the provision of quality education (education and training courses) relating to robotics standardisation by CRC using an electronic smart card “CRC Shentong Card” as main payment medium, as well as the organisation and hosting of CRC competition events (collectively, the “**CRC Quality Education Events**”) in Heilongjiang Province of the PRC (the “**Robotics Education Business**”). Heilongjiang Shentong is principally engaged in the Robotics Education Business. Shentong Yijia is principally engaged in the Shentong Card Business.

As stated in the Board Letter, amongst the CCT Agreements, (i) the Heilongjiang Shentong CRC Shentong Card Payment System Contract; (ii) the Heilongjiang Shentong Customer Service Hotline Rental Contract; (iii) the Heilongjiang Shentong Server Hosting Agreement; (iv) Heilongjiang Shentong Web Advertising Contract; and (v) the Heilongjiang Operation and Management Contract are conducted in the ordinary course of business and are essential to the operations of the Robotics Education Business.

Amongst the CCT Agreements, (i) the Yijia Customer Service Hotline Rental Contract; (ii) the Yijia Server Hosting Agreement; and (iii) the Shentong Card Management and Sales Contract are conducted in the ordinary course of business and are essential to the operations of the Shentong Card Business. The Group is and will be the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards by virtue of the Existing Shentong Card Management and Sales Contract and the Shentong Card Management and Sales Contract.

Please refer to the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” below for our analysis on the segment financial information of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected Persons

(i) CCC

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

(ii) *China Communication Heilongjiang*

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

(iii) *China Communication Heilongjiang Mudanjiang*

China Communication Heilongjiang Mudanjiang is a branch company of China Communication Heilongjiang. China Communication Heilongjiang Mudanjiang is principally engaged in providing telecommunication services in the PRC.

II. Reasons for and benefits of the entering into of the CCT Agreements

As stated in the Board Letter, the Group’s revenue was mainly attributable to (i) the Robotics Education Business and (ii) the Shentong Card Business.

As disclosed in the 2020 Interim Report and according to the Management, the Group is the sole organiser of China Robot Competition (“CRC”) events in Heilongjiang Province with the approval of the General Administration of Sport of China* (國家體育總局社會體育指導中心) (“GASC”). The Ministry of Education incorporated robotics education into one of the eight major national school sports leagues, and approved the establishment of the National School Sports Robot League (全國學校體育機器人聯盟) to deploy robotics-related work with the commencement of robot sports nationwide. By organising a diversified series of CRC Quality Education Events in Heilongjiang Province, the Group effectively promoted the popularity and development of quality robot education, and has been a stable source of revenues. As the CRC Shentong Card that the Group promote is currently the only smart comprehensive educational billing card in the PRC used for payment and smart management in connection with CRC Quality Education Events, the overall income (including income from training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system and accordingly benefited by the development of the CRC Quality Education Events.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

However, according to the 2020 Interim Report and the Management, the outbreak of coronavirus (“**COVID-19**”) has certain impact on the Robotics Education Business, mainly due to the closure of school campuses and delays in school commencement during the outbreak of COVID-19. We noted that the revenue generated from the Robotics Education Business dropped from approximately HK\$66.65 million for the six months ended 30 September 2019 (“**IP2019**”) to approximately HK\$347,000 for the six months ended 30 September 2020 (“**IP2020**”), representing a decrease of approximately 99.48%. The revenue generated from the Robotics Education Business accounted for approximately 46.58% and 90.17% of the total revenue of the Group for IP2020 and IP2019 respectively.

With reference to the Board Letter, Shentong Cards are one of the electronic smart cards in the PRC which have the functions of online payment and intelligent management platform. 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 of 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. According to the Management, the revenue generated by the Shentong Card Business has been and will be generated mostly from the Shentong Card Management and Sales Contract, while the Group utilises a variety of services provided by the CCC Group for the Robotics Education Business.

According to the Management and the 2020 Interim Report, same as the Robotics Education Business segment, the Shentong Card Business has also been affected by the outbreak of COVID-19 and causing a decrease of segment revenue from approximately HK\$7.27 million for IP2019 to approximately HK\$398,000 for IP2020, which represents a decrease of approximately 94.53%. With reference to the Heilongjiang Province Health Public Opinion Digest* (黑龍江省衛生健康輿情摘報) announced by Health Commission of Heilongjiang Province* (黑龍江省衛生健康宣傳教育與信息中心) on 1 February 2021, there are 24 million doses of vaccines that have already been received in the PRC, accordingly, we are of the view and concur with the view of the Management that the epidemic situation is gradually recovering in the PRC and the precaution measures will be eased and the Robotics Education Business and the Shentong Card Business will be recovered in the near future.

In order to understand the financial performance of the Group before the outbreak of COVID-19, we made reference to the 2019 Annual Report. We noticed that the revenue and the profits for the year attributable to owners of the Group recorded an increase of approximately 25.40% and 113.14% respectively for the year ended 31 March 2019 (“**FY2019**”) as compared to the year ended 31 March 2018 (“**FY2018**”). The revenue of the Group increased from approximately HK\$141.48 million for FY2018 to approximately HK\$177.42 million for FY2019, and the profit for the year attributable to owners of the Company increased from approximately HK\$27.60 million for FY2018 to approximately HK\$58.83 million for FY2019.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below summarised the segment revenue and segment profit/loss of the Group for the past three financial years as extracted from the 2020 Annual Report and the 2019 Annual Report:

	Robotics Education Business			Shentong Card Business		
	For the year ended 31 March					
	2020	2019	2018	2020	2019	2018
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	119,343	155,318	110,062	9,498	22,097	31,420
Segment Profit/(loss)	(267,784)	104,545	60,110	(4,304)	(2,397)	3,842

According to the 2019 Annual Report and with reference to the table above, the improved financial performance of the Group for FY2019 was mainly attributable to the improved financial performance of the Robotics Education Business, the segment revenue of Robotics Education Business increased from approximately HK\$110.06 million for FY2018 to approximately HK\$155.32 million for FY2019, which represents an increase of approximately 41.12%. The segment profit of Robotics Education Business recorded an increase of approximately 73.92% for FY2019, increased from approximately HK\$60.11 million for FY2018 to approximately HK\$104.55 million for FY2019. Based on the above, we are of the view and concur with the Directors' view that the financial performance of the Group will be improved to the situation before the outbreak of COVID-19 following the gradually recovering epidemic situation of the COVID-19 in the PRC with the progress of COVID-19 vaccines as mentioned above and the renewal of the CCT Agreements will be beneficial for the Group to improve the financial performance upon outbreak of COVID-19.

In order to understand the future development of Robotics Education Business after the pandemic of COVID-19, we have looked at the long term government policies in relation to the development of CRC Quality Education Events. We notice that the Ministry of Education of the PRC published "Development of Education Institutions to Promote Subject Integration and Cultivation of Graduate Students of Artificial Intelligence Opinions"* (《關於“雙一流”建設高校促進學科融合加快人工智能領域研究生培養的若干意見》) (the "AI Education Plan") (http://www.moe.gov.cn/srcsite/A22/moe_826/202003/t20200303_426801.html) in January 2020, which highlights the importance of cultivating expertise of artificial intelligence in order to accelerate the transformation and application of artificial intelligence technology in key industries in the PRC. The official authorities insist on providing sufficient financial resources and to cultivate leading artificial intelligence talents with strong potential. The AI Education Plan also encourages education institutes and enterprises to organise innovation competitions for artificial intelligence talents to carry out innovation and entrepreneurship practices based on actual business problems. In view of the above, we are of the view and concur with the view of the Management that the Robotics Education Business of the Group would benefit from the government's support on the industry after the business operation of the Group gradually recover from the effects of COVID-19.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) the revenue of the Group is principally generated from the Robotics Education Business and the Shentong Card Business; (ii) the CCT Agreements are essential to the operations of the two aforesaid business segments; (iii) the Robotics Education Business has been generating increased segment profit before the outbreak of COVID-19; (iv) the supportive official policies on the development of artificial intelligence in education institutions as mentioned above; and (v) the Group is in need to renew CCT Agreements to recover its business operation and financial performance considering the outbreak of COVID-19 will be gradually recovered in PRC with the COVID-19 vaccines as stated above, we are of the view and concur with the view of the Management that the entering into of the CCT Agreements are in the ordinary and usual course of the business of the Group and is in the interest of the Company and the Shareholders as a whole.

III. Details of the CCT Agreements

Details of the CCT Agreements are set out below:

1. *Heilongjiang Shentong CRC Shentong Card Payment System Contract*

(i) *Background*

Pursuant to the terms of the Heilongjiang Shentong CRC Shentong Card Payment System Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, CCC shall provide Heilongjiang Shentong with the right to use the CRC Shentong Card integrated payment management system to facilitate customer's information maintenance, customer enquiry services and payment processing services.

We understand from the Management that Heilongjiang Shentong has been receiving income from organising CRC Quality Education Events, being its major income sources, via the CRC Shentong Cards. As advised by the Management, pursuant to the guidance of GASC, all management and payment of CRC Quality Education Events should be conducted through CRC Shentong Card system. As such, it is currently not possible to engage with another supplier.

According to the Management, in the extreme situation that the Group's business relationship with the CCC Group or the services provided by the CCC Group under the Heilongjiang Shentong CRC Shentong Card Payment System Contract is ceased, the Group will use its best endeavours to procure a new supplier for the provision of a similar payment management system to be approved by GASC, so that the Group's operation will not be materially affected. As confirmed by the Management and based on the communication records and meeting minutes provided by the Management, the Management has (i) contacted a third party telecommunication services supplier and confirmed that the supplier has the necessary skills and expertise, and is willing to develop such payment management system if required by the Group; and (ii) had a meeting with representatives of the CCC Group and the working committee of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the CRC and agreed that each party will use its best endeavours to ensure the smooth transition to a new payment management system in case the CCC Group cease to provide the existing payment management system to the Group. Notwithstanding the reliance on CCC as the single supplier of electronic payment system management services to Heilongjiang Shentong, Heilongjiang Shentong has been engaging CCC since its commencement of business operations for the provision of electronic payment system management services, which is necessary for the Robotics Education Business.

Based on the above, we consider that the Heilongjiang Shentong CRC Shentong Card Payment System Contract would enable Heilongjiang Shentong to utilise the Shentong Card integrated payment management system to process the use of CRC Shentong Cards, and is thus in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Pricing basis

Pursuant to the Heilongjiang Shentong CRC Shentong Card Payment System Contract, (i) Heilongjiang Shentong shall pay a fee to CCC which is calculated as 6% of the overall income of Heilongjiang Shentong (including income from training and competitions) which payment is made through and processed by the CRC Shentong Card integrated payment management system; (ii) CCC had paid RMB4.5 million (equivalent to approximately HK\$5.4 million) of clearing security deposit to Heilongjiang Shentong; and (iii) CCC and Heilongjiang Shentong shall undergo settlement reconciliation within seven calendar days after the end of each month and CCC shall pay to Heilongjiang Shentong within 30 calendar days after the end of the relevant month for settlement of the funds.

As advised by the Management, there is no similar transaction conducted between Heilongjiang Shentong and other Independent Third Parties as CCC is the single supplier of electronic payment management system to Heilongjiang Shentong under the guidance of GASC and it is technically not feasible to obtain quotation from independent suppliers for similar services from the open market or change of service provider. Therefore, in assessing the terms of the Heilongjiang Shentong CRC Shentong Card Payment System Contract, we have obtained, from the Management, the pricing range of all Shentong Card payment system contracts with similar payment terms conducted by CCC with other Independent Third Parties, and note that CCC charge fees ranging from 6% to 10% of the income which payment is made through and processed by the CRC's integrated payment management system. The 6% charging rate offered by CCC to Heilongjiang Shentong under the Heilongjiang Shentong CRC Shentong Card Payment System Contract is therefore lower than or equal to those offered by CCC to other Independent Third Parties. To assess whether those comparable Shentong Card payment system contracts follow the aforesaid pricing policy of CCC, we reviewed five sample Shentong Card payment system

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contracts with similar payment terms conducted by CCC with other Independent Third Parties and with similar nature of services. Given that the major terms and nature of service provided are similar, we consider that such contracts are comparable to the Heilongjiang Shentong CRC Shentong Card Payment System Contract and are representative. We found that (i) the charging rates offered by CCC to other Independent Third Parties are indeed within the aforesaid range; and (ii) other payment terms under the Heilongjiang Shentong CRC Shentong Card Payment System Contract are substantially the same as those offered by CCC to other Independent Third Parties.

Taken into consideration that the charging rate offered by CCC to Heilongjiang Shentong is lower than or equal to those offered by CCC to other Independent Third Parties, we are of the view and concur with the view of the Management that the pricing arrangement is on normal commercial terms and the transactions conducted under the Heilongjiang Shentong CRC Shentong Card Payment System Contract are fair and reasonable.

(iii) The proposed annual caps

The table below shows the relevant proposed annual caps under the Heilongjiang Shentong CRC Shentong Card Payment System Contract for the three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Heilongjiang Shentong CRC Shentong Card Payment System Contract	4.45	5.10	5.70

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

- (a) 6% of the historical revenues generated by the CRC Shentong Card; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

The table below summarises the historical transaction amounts and the utilisation rates of the Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract (i) for the year ended 31 March 2019; (ii) for the year ended 31 March 2020; and (iii) for the nine months ended 31 December 2020.

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Existing Heilongjiang Shentong CRC Shentong Card Payment System Contract			
Historical annual cap (<i>RMB million</i>)	8.50	11.00	12.50 <i>(Note 1)</i>
Historical transaction amount <i>(RMB million)</i>	7.77 <i>(Note 2)</i>	6.32 <i>(Note 2)</i>	0.14 <i>(Note 3)</i>
Utilisation rate	91.41%	57.45%	1.49% <i>(Note 4)</i>

Notes:

1. The historical annual cap is for the year ending 31 March 2021.
2. The relevant figures are audited.
3. The relevant figure is unaudited.
4. The utilisation rate represents the historical transaction amount for the nine months ended 31 December 2020 as compared to the annual cap for the year ending 31 March 2021, on a pro rata basis.

As shown in the above table, we noted that the utilisation rates of historical annual cap were approximately (i) 91.41% for the year ended 31 March 2019; (ii) 57.45% for the year ended 31 March 2020; and (iii) 1.49% for the nine months ended 31 December 2020. According to the Management, the decline of the historical transaction amount and utilisation rate were mainly due to the closure of school campuses and delays in school commencement caused by the outbreak of COVID-19 as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter. The Management expects that the business operation will still be affected by the outbreak of COVID-19 but will be gradually recovered from the outbreak of COVID-19 and therefore has proposed the lowered annual caps for the three years ending 31 March 2022 to 31 March 2024 than the historical annual caps as stated in the above table.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the Management have considered (i) the effects of COVID-19 and it takes time to gradually recover the transaction amounts, resulting in a lower usage of CRC Shentong Cards as compared to the historical annual caps; (ii) the supportive governmental long term policies for the development of the artificial intelligence technology as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter, we consider that the annual caps for the transactions contemplated under the Heilongjiang Shentong CRC Shentong Card Payment System Contract are fair and reasonable.

Also taking into account the use of Shentong Card integrated payment management system under the Heilongjiang Shentong CRC Shentong Card Payment System Contract is essential for the operations of the Group, we consider that the Heilongjiang Shentong CRC Shentong Card Payment System Contract is in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. *Heilongjiang Shentong Customer Service Hotline Rental Contract and Yijia Customer Service Hotline Rental Contract*

(i) Background

In respect of the provision of two designated national customer service hotline numbers 95130*** by CCC to the Group, CCC (as supplier) entered into:

- (a) the Heilongjiang Shentong Customer Service Hotline Rental Contract with Heilongjiang Shentong (as purchaser); and
- (b) the Yijia Customer Service Hotline Rental Contract with Shentong Yijia (as purchaser).

The nature and terms (save for the annual caps) of the Heilongjiang Shentong Customer Service Hotline Rental Contract and the Yijia Customer Service Hotline Rental Contract (collectively, the “**Customer Service Hotline Rental Contracts**”) are principally the same.

Pursuant to each of the Customer Service Hotline Rental Contracts, for the period commencing on 1 April 2021 and ending on 31 March 2024, CCC shall provide a designated national customer service hotline number 95130*** to Heilongjiang Shentong or Shentong Yijia (as the case may be).

We understand from the Company that the customer service hotlines provided by CCC are in place for receiving queries from customers as customer services. We are advised that the Group has not received any material complaints from customers in relation to its service before. Notwithstanding the reliance on CCC as the single supplier of customer service hotline rental

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services to Heilongjiang Shentong and Shentong Yijia, each of Heilongjiang Shentong and Shentong Yijia has been engaging CCC since its commencement of business operations and for more than 10 years respectively for the provision of customer service hotline, which is necessary for maintaining customer relationship. Accordingly, we consider that each of the Customer Service Hotline Rental Contracts would enable smooth operations of Heilongjiang Shentong and Shentong Yijia respectively, and is thus in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Pricing basis

Pursuant to each of the Customer Service Hotline Rental Contracts, for the period commencing on 1 April 2021 and ending on 31 March 2024, CCC will charge Heilongjiang Shentong or Shentong Yijia (as the case may be) (i) an annual fee of RMB20,000 (equivalent to approximately HK\$24,000) which is on a pro-rata and 12-month-year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.072) 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 the internet through the “VoIP” (Voice-Over Internet Protocol) telephone system.

In the event that there is any new guideline related to the standard rates that could be imposed by the relevant PRC governmental authority which is applicable to the telecommunication services to be provided under the Customer Service Hotline Rental Contracts, CCC will still charge Heilongjiang Shentong or Shentong Yijia (as the case may be) in accordance with the scaled-discount rates as stated in the agreement for the incoming calls and implement the pricing policies and internal control measures as stated under the section headed “IV. Pricing policy and internal control for implementing the CCT Agreements” below in this letter if necessary. The scaled-discount rates for long distance incoming calls will not be changed.

For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Customer Service Hotline Rental Contracts, CCC provides monthly summary of the incoming calls and outgoing calls, including but not limited to the telephone numbers of the incoming calls and outgoing calls, calling and ending time of each call, duration of each call, and charging rate of each call. Heilongjiang Shentong or Shentong Yijia (as the case may be) performs calculation checks and reviews the charging rates each month to ensure that the transactions are within the framework of the Customer Service Hotline Rental Contracts. CCC and Heilongjiang Shentong or Shentong Yijia (as the case may be) will then sign on a statement to confirm the agreed charge each month.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, there is no similar transaction conducted between the Group and other Independent Third Parties as CCC is the single supplier of customer service hotline rental services to the Group. Nevertheless, they obtained quotations from two other nationwide telecom network operators in the PRC (“**Supplier A**” and “**Supplier B**” respectively), both of which are Independent Third Parties, for similar customer service hotlines. As discussed with the Management, we understand that they consider that only nationwide telecom network operators are capable for providing similar services with stability comparable with those under the Customer Service Hotline Rental Contracts. We have reviewed the two quotations and note that, regarding the quotation from Supplier A, (i) a monthly fee of RMB3,000 (equivalent to approximately HK\$3,600); (ii) a calling charge of RMB0.06 (equivalent to approximately HK\$0.072) per 6 seconds will be charged for incoming calls; and (iii) a calling charge of RMB0.30 (equivalent to approximately HK\$0.36) per minute will be charged for outgoing calls via the internet through the “VoIP” (Voice-Over Internet Protocol) telephone system. Regarding the quotation from Supplier B, we note that (a) a monthly fee of RMB3,000 (equivalent to approximately HK\$3,600); (b) a calling charge of RMB0.06 (equivalent to approximately HK\$0.072) per 6 seconds will be charged for incoming calls (subject to the scaled-discount rates which are the same as under each of the Customer Service Hotline Rental Contracts); and (c) a calling charge of RMB0.15 (equivalent to approximately HK\$0.18) per minute will be charged for outgoing calls via the internet through the “VoIP” (Voice-Over Internet Protocol) telephone system. Based on the above, the fees under each of the Customer Service Hotline Rental Contracts are respectively lower than or the same as those under each of the quotations, and is therefore no less favourable to the Group.

Furthermore, we have obtained from the Management, the pricing range of all customer service hotline rental contracts with similar payment terms conducted by CCC with other Independent Third Parties, and note that (i) the annual fee charged by CCC to other Independent Third Parties range from RMB50,000 to RMB200,000 (equivalent to approximately HK\$60,000 to HK\$240,000); (ii) the scaled-discount rates for calling charges for long distance incoming calls offered by CCC to other Independent Third Parties are the same as those under the Customer Service Hotline Rental Contracts; (iii) the calling charge for outgoing calls via internet through the “VoIP” (Voice-Over Internet Protocol) telephone system charged by CCC to other Independent Third Parties range from RMB0.18 per minute to RMB0.30 per minute (equivalent to approximately HK\$0.22 to HK\$0.36). The fees charged by CCC to the Group under the Customer Service Hotline Rental Contracts are therefore lower than or equal to those offered by CCC to other Independent Third Parties.

To assess whether those comparable customer service hotline rental contracts follow the aforesaid pricing policy of CCC, we reviewed five sample customer service hotline rental contracts with similar payment terms conducted by CCC to other Independent Third Parties and with similar nature of services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the major terms and nature of service provided are similar, we consider that such contracts are comparable to the Customer Service Hotline Rental Contracts and are representative. Based on the above sample evidences, we found that (a) the annual fee, the scaled-discount rates for calling charges for long distance incoming calls, the calling charge for outgoing calls via internet through the “VoIP” charged by CCC to other Independent Third Parties and indeed within the aforementioned ranges; and (b) other payment terms under the Customer Service Hotline Rental Contracts are substantially the same as those offered by CCC to other Independent Third Parties.

Taking into consideration that (i) the prices offered by CCC to the Group (including the discount rates and the annual fee) are no less favourable than those offered by other Independent Third Parties to the Group; and (ii) the calling charges offered by CCC are no less favourable to those offered by CCC to other Independent Third Parties, we are of the view and concur with the view of the Management that the prices and other payment terms under each of the Customer Service Hotline Rental Contracts are fair and reasonable.

(iii) The proposed annual caps

The table below shows the relevant proposed annual caps under the Customer Service Hotline Rental Contracts for the three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Heilongjiang Shentong Customer Service Hotline Rental Contract	2.00	2.25	2.50
Yijia Customer Service Hotline Rental Contract	0.30	0.30	0.30

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

- (a) the historical usage and transaction amount under the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract and Yijia Customer Service Hotline Rental Contract (as the case may be); and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarises the historical transaction amounts and the respective utilisation rates of the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract and the Existing Yijia Customer Service Hotline Rental Contract (i) for the year ended 31 March 2019; (ii) for the year ended 31 March 2020; and (iii) for the nine months ended 31 December 2020.

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Existing Heilongjiang Shentong Customer Service Hotline Rental Contract			
Historical annual cap (<i>RMB million</i>)	2.90	3.30	3.60 <i>(Note 1)</i>
Historical transaction amount (<i>RMB million</i>)	2.85 <i>(Note 2)</i>	2.77 <i>(Note 2)</i>	0.61 <i>(Note 3)</i>
Utilisation rate	98.28%	83.94%	22.59% <i>(Note 4)</i>
Existing Yijia Customer Service Hotline Rental Contract			
Historical annual cap (<i>RMB million</i>)	1.50	1.60	1.70 <i>(Note 1)</i>
Historical transaction amount (<i>RMB million</i>)	1.47 <i>(Note 2)</i>	0.98 <i>(Note 2)</i>	0.09 <i>(Note 3)</i>
Utilisation rate	98.00%	61.25%	7.06% <i>(Note 3)</i>

Notes:

1. The historical annual caps are for the year ending 31 March 2021.
2. The relevant figures are audited.
3. The relevant figures are unaudited.
4. The utilisation rates represent the historical transaction amounts for the nine months ended 31 December 2020 as compared to the corresponding annual caps for the year ending 31 March 2021, on a pro rata basis.

As shown in the above table, we noted that the utilisation rates of the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract were approximately (i) 98.28% for the year ended 31 March 2019; (ii) 83.94% for the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

year ended 31 March 2020; and (iii) 22.59% for the nine months ended 31 December 2020, while those of the Existing Yijia Customer Service Hotline Rental Contract were approximately (i) 98.00% for the year ended 31 March 2019; (ii) 61.25% for the year ended 31 March 2020; and (iii) 7.06% for the nine months ended 31 December 2020.

According to the Management, the relatively low utilisation rate of the Existing Heilongjiang Shentong Customer Service Hotline Rental Contract for the nine months ended 31 December 2020 (i.e. 22.59%) was due to the impact of the outbreak of COVID-19 as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter. On the other hand, the Existing Yijia Customer Service Hotline Rental Contract has recorded declining utilisation rate as mentioned above since the Group (i) was not able to outreach the potential clients during the outbreak of COVID-19; and (ii) the Group has allocated more resources on the upcoming Robotics Education Business in recent years because of the profitability before the outbreak of COVID-19 as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter. With reference to the 2020 Annual Report, the revenue generated from Robotics Education Business represents 87.55% and 92.63% of the total revenue of the Group for FY2019 and FY2020 respectively. Based on the above, we are of the view and concur with the Directors’ view that the lowered annual caps for the transactions contemplated under the Customer Service Hotline Rental Contracts are justifiable.

Taking into account (i) the relevant historical transaction amounts, showing declining utilisation rates of the previous annual caps; and (ii) the effects of COVID-19 and it takes time to gradually recover the transaction amounts; and (iii) the supportive official policies for the development of the artificial intelligence technology as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter and the Management are of the view that the Robotics Education Business could be recovered, we consider that the relevant annual caps for the transactions contemplated under the Customer Service Hotline Rental Contracts are fair and reasonable.

Also taking into account the subscriptions of the customer service hotline under the Customer Service Hotline Rental Contracts are essential for the operations of the Group’s Robotics Education Business, we consider that the Customer Service Hotline Rental Contracts are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. *Heilongjiang Shentong Server Hosting Agreement and Yijia Server Hosting Agreement*

(i) Background

In respect of the provision of server hosting service and dedicated leased lines by CCC to the Group, CCC (as supplier) entered into:

- (a) the Heilongjiang Shentong Server Hosting Agreement with Heilongjiang Shentong (as purchaser); and
- (b) the Yijia Server Hosting Agreement with Shentong Yijia (as purchaser).

The nature and terms (save for the annual caps) of the Heilongjiang Shentong Server Hosting Agreement and Yijia Server Hosting Agreement (collectively, the “**Server Hosting Agreements**”) are principally the same.

Pursuant to each of the Server Hosting Agreements, for the period commencing on 1 April 2021 and ending on 31 March 2024, (i) in respect of server hosting service, CCC will provide server equipment to Heilongjiang Shentong or Shentong Yijia (as the case may be), which in turn will place its servers in CCC’s server rooms and CCC will provide monitoring, management and technical support services to Heilongjiang Shentong or Shentong Yijia (as the case may be); and (ii) in respect of dedicated leased lines, CCC will provide designated 300M-bandwidth share of broadband leased lines to Heilongjiang Shentong or Shentong Yijia (as the case may be) for the operation of its website, and CCC will also provide 90 IP addresses and not more than one or seven rack(s) of servers for the use of Shentong Yijia or Heilongjiang Shentong respectively. CCC will also supply 2,200W (10A) electricity for each rack of servers rented to Shentong Yijia.

We understand from the Company that the server and dedicated leased lines are required by Heilongjiang Shentong or Shentong Yijia (as the case may be) for data processing and storage. Notwithstanding the reliance on CCC as the single supplier of server hosting services and dedicated leased lines to Heilongjiang Shentong and Shentong Yijia (as the case may be), each of Heilongjiang Shentong and Shentong Yijia has been engaging CCC since its commencement of business operations and for more than 10 years respectively for the provision of server hosting services and dedicated leased lines with stability and relevant technical support if necessary, which is essential for the existing business of the Group. Accordingly, we consider that each of the Server Hosting Agreements would enable smooth operations of Heilongjiang Shentong and Shentong Yijia respectively, and is thus in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Pricing basis

Pursuant to each of the Server Hosting Agreements, for the period commencing on 1 April 2021 and ending on 31 March 2024, CCC will charge Heilongjiang Shentong or Shentong Yijia (as the case may be) the same fee of RMB80,000 (equivalent to approximately HK\$96,000) per month for each rack of servers used by Heilongjiang Shentong or Shentong Yijia (as the case may be) for the provision of server hosting service and dedicated leased lines which shall be payable quarterly in advance. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Heilongjiang Shentong or Shentong Yijia (as the case may be) fail to pay the outstanding amount payable within five days from the date of receipt of the relevant demand note.

The aforementioned monthly rental fee for the server hosting service and dedicated leased lines is on commercial terms determined after arm's length negotiation between CCC and Heilongjiang Shentong or Shentong Yijia (as the case may be) 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, two and one rack(s) of servers were rented by Heilongjiang Shentong and Shentong Yijia respectively.

As advised by the Management, there is no similar transaction conducted between the Group and other Independent Third Parties as CCC is the single supplier of server hosting services and dedicated leased lines to the Group. Nevertheless, they obtained two quotations from other nationwide internet network operators in the PRC, namely Server Hosting Supplier A and Server Hosting Supplier B (both of which are Independent Third Parties), for similar server hosting service. As discussed with the Management, we understand that they consider that only nationwide internet network operators are capable of providing similar services with stability comparable with those under the Server Hosting Agreements. We have reviewed the quotation and note that, regarding the quotation from Server Hosting Supplier A, (i) the monthly fee is RMB1,050,000 (equivalent to approximately HK\$1.26 million) for the dedicated leased lines alone; (ii) the monthly fee is RMB10,000 (equivalent to approximately HK\$12,000) for each server used; and (iii) the monthly fee is RMB100 (equivalent to approximately HK\$120) for each IP address. Regarding the quotation from Server Hosting Supplier B, we note that (a) the monthly fee is RMB47,333 (equivalent to approximately HK\$56,800) for each server used; and (b) the monthly fee for the dedicated leased lines is RMB36,000 (equivalent to approximately HK\$43,200).

Based on the above quotations, the total fee for each rack of server for the provision of server hosting service and dedicated leased-lines per month from Server Hosting Supplier A (i.e. RMB1,060,100) and Server Hosting Supplier B (i.e. (RMB83,333) are higher than that offered by the CCC to Heilongjiang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shentong and Shentong Yijia (as the case may be) (i.e. RMB80,000 per month). Accordingly, the monthly fee under each of the Server Hosting Agreements is therefore more favourable to the Group.

Furthermore, we have obtained, from the Management, the pricing range of all server hosting agreements with similar payment terms conducted by CCC with other Independent Third Parties, and note that monthly fee rented charged by CCC to other Independent Third Parties range from RMB87,500 to RMB425,000 (equivalent to approximately HK\$105,000 to HK\$510,000) per server with the bandwidth range from 30M to 100M. The fees charged by CCC to the Group under the Server Hosting Agreements are therefore lower than those offered by CCC to other Independent Third Parties. To assess whether those comparable server hosting agreements follow the aforesaid pricing policy of CCC, we reviewed five sample server hosting agreements with similar payment terms conducted by CCC with other Independent Third Parties and with similar nature of services. Given that the major terms and nature of service provided are similar, we consider that the aforesaid server hosting agreements are comparable to the Server Hosting Agreements and are representative. Based on the above sample evidences, we found that (i) the monthly fees per server rented charged by CCC to other Independent Third Parties are indeed within the aforesaid range; and (ii) other payment terms under the Server Hosting Agreements are substantially the same as those offered by CCC to other Independent Third Parties.

Taking into consideration that the server rental fee charged by CCC to the Group are no less favourable than (i) those offered by other Independent Third Parties to the Group; and (ii) those charged by CCC to other Independent Third Parties, we are of the view and concur with the view of the Management that the prices and other payment terms under each of the Server Hosting Agreements are fair and reasonable.

(iii) The proposed annual caps

The table below shows the relevant proposed annual caps under the Server Hosting Agreements for the three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Heilongjiang Shentong Server Hosting Agreement	4.80	5.76	6.72
Yijia Server Hosting Agreement	0.96	0.96	0.96

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$96,000) per month for each server used;
- (b) the historical usage and transaction amount under the Existing Heilongjiang Shentong Server Hosting Agreement;
- (c) the estimated number of racks of servers required for the years ending 31 March 2022, 2023 and 2024 of 5, 6 and 7 respectively; and
- (d) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

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

- (a) the contract price of RMB80,000 (equivalent to approximately HK\$96,000) per month for each rack of servers used;
- (b) the estimated number of rack of servers required for the years ending 31 March 2022, 2023 and 2024 of 1, 1 and 1 respectively;
- (c) the usage of 1 rack of server for the nine months ended 31 December 2020; and
- (d) the expected number of servers in-line being unchanged for the three years ending 31 March 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarises the historical transaction amounts and the respective utilisation rates of the Existing Heilongjiang Shentong Server Hosting Agreement and the Existing Yijia Server Hosting Agreement (i) for the year ended 31 March 2019; (ii) for the year ended 31 March 2020; and (iii) for the nine months ended 31 December 2020.

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Existing Heilongjiang Shentong Server Hosting Agreement			
Historical annual cap (<i>RMB million</i>)	8.64	9.60	10.56 <i>(Note 1)</i>
Historical transaction amount <i>(RMB million)</i>	7.68 <i>(Note 2)</i>	7.36 <i>(Note 2)</i>	1.44 <i>(Note 3)</i>
Utilisation rate	88.89	76.67%	18.18% <i>(Note 4)</i>
Existing Yijia Server Hosting Agreement			
Historical annual cap (<i>RMB million</i>)	6.72	6.72	6.72 <i>(Note 1)</i>
Historical transaction amount <i>(RMB million)</i>	5.76 <i>(Note 2)</i>	2.40 <i>(Note 2)</i>	0.72 <i>(Note 3)</i>
Utilisation rate	85.71%	35.71%	14.29% <i>(Note 4)</i>

Notes:

1. The historical annual caps are for the year ending 31 March 2021.
2. The relevant figures are audited.
3. The relevant figures are unaudited.
4. The utilisation rates represent the historical transaction amounts for the nine months ended 31 December 2020 as compared to the corresponding annual caps for the year ending 31 March 2021, on a pro rata basis.

As shown in the above table, we noted that the utilisation rates of the Existing Heilongjiang Shentong Server Hosting Agreement were approximately (i) 88.89% for the year ended 31 March 2019; (ii) 76.67% for the year ended 31 March 2020; and (iii) 18.18% for the nine months ended 31 December 2020,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

while those of the Existing Yijia Server Hosting Agreement were approximately (i) 85.71% for the year ended 31 March 2019; (ii) 35.71% for the year ended 31 March 2020; and (iii) 14.29% for the nine months ended 31 December 2020.

According to the Management, the relatively low utilisation rates of Existing Heilongjiang Shentong Server Hosting Agreement for the nine months ended 31 December 2020 (i.e. 18.18%) has been affected by the decline of Robotics Education Business caused by the outbreak of COVID-19 as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter. Regarding the declining utilisation rates of the Existing Yijia Server Hosting Agreement, it was mainly due to the Group (i) was not able to outreach the potential clients during the outbreak of COVID-19; and (ii) the Group has allocated more resources on the upcoming Robotics Education Business in recent years as it is more profitable than the Shentong Card Business before the outbreak of COVID-19 as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter. Based on the above, we are of the view and concur with the Directors’ view that the lowered annual caps for the transactions contemplated under the Server Hosting Agreements are fair and reasonable.

Taking into account (i) the relevant historical transaction amounts, showing declining utilisation rates of the previous annual caps; (ii) the effects of COVID-19 and it takes time to gradually recover the transaction amounts; and (iii) the supportive official policies for the development of the artificial intelligence technology as mentioned under the section headed “II. Reasons for and benefits of the entering into of the CCT Agreements” above in this letter and the Management are of the view that the Robotics Education Business could be recovered, we consider that the relevant annual caps under the Server Hosting Agreements are fair and reasonable.

Also taking into account the server hosting service and dedicated leased lines is essential for the operations of the Group, we consider that the Server Hosting Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Heilongjiang Shentong Web Advertising Contract

(i) Background

Pursuant to the Heilongjiang Shentong Web Advertising Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, Heilongjiang Shentong agreed to place and China Communication Heilongjiang agreed to arrange for the web advertisements of Heilongjiang Shentong to be published on the official website of Heilongjiang Robot Sports Association that China Communication Heilongjiang is the single agent and 24-hour technical

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

support services shall also be provided by China Communication Heilongjiang to Heilongjiang Shentong to handle all technical issues arising from the publication of the advertisements.

We are advised by the Company that at present, the web advertisements are for marketing and promotion of CRC Quality Education Events. Given that the official website of Heilongjiang Robot Sports Association, the aim of which is for promotion of CRC Quality Education Events and the target customers are the students or education institutions who are interested in CRC Quality Education Events, the Company considers that web advertisements on that website is the most effective way to promote the CRC Quality Education Events, the payment method of which is via the CRC Shentong Cards.

Notwithstanding the reliance on China Communication Heilongjiang as the single agent of the official website of Heilongjiang Robot Sport Association, Heilongjiang Shentong has been engaging China Communication Heilongjiang since its commencement of business operations for the provision of web advertisements, which is beneficial to the existing business of the Group. Accordingly, we consider that the Heilongjiang Shentong Web Advertising Contract would enable smooth operation of Heilongjiang Shentong and represent a feasible marketing means for promoting the CRC Quality Education Events, the payment method of which is via the CRC Shentong Cards, and is thus in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Pricing basis

Pursuant to the Heilongjiang Shentong Web Advertising Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, China Communication Heilongjiang shall charge Heilongjiang Shentong for each advertisement to be placed by Heilongjiang Shentong, which shall be determined according to the proposed publication timeslots and duration as follows:

- (a) From 08:20 to 12:19 (i.e. 4 hours in total), RMB14,000 (equivalent to approximately HK\$16,800) 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), RMB12,000 (equivalent to approximately HK\$14,400) 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), RMB15,000 (equivalent to approximately HK\$18,000) per day for the 4-hour period with a discount of 35%;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) From 19:20 to 22:19 (i.e. 3 hours in total), RMB18,800 (equivalent to approximately HK\$22,560) per day for the 3-hour period with a discount of 35%; and
- (e) From 22:20 to 01:19 (i.e. 3 hours in total), RMB10,000 (equivalent to approximately HK\$12,000) per day for the 3-hour period with a discount of 35%.

The unit rates charged by China Communication Heilongjiang under the Existing Heilongjiang Shentong Web Advertising Contract are the same as the Heilongjiang Shentong Web Advertising Contract. As advised by the Management, there is no similar transaction conducted between the Group and other Independent Third Parties as China Communication Heilongjiang is the single supplier of web advertisements to Heilongjiang Shentong. Nevertheless, we have reviewed three quotations from other Independent Third Parties, one of them is a media website operated by the PRC government in Heilongjiang province (“**Website A**”), and the remaining two of which are portal sites providing news and other services (“**Website B**” and “**Website C**”), in relation to web advertising as provided by the Company. As discussed with the Management, we understand that they consider that these websites are popular news media websites which have the target customers of the Group with similar traffic. We note that for web advertisement similar in nature with those under the Heilongjiang Shentong Web Advertising Contract, (i) Website A would charge on a full-day basis of RMB50,000 (equivalent to approximately HK\$60,000) per day; (ii) Website B would charge on a full-day basis of RMB50,000 (equivalent to approximately HK\$60,000) per day; and (iii) Website C would charge on a full-day basis of RMB20,000 per day.

We are advised by the Company that normally the Group intends to place web advertisement for one timeslot (i.e. 3 hours per day), particularly during lunch time, and therefore would cost approximately RMB12,000 (equivalent to approximately HK\$14,400). Based on the above, we consider that the fees under the Heilongjiang Shentong Web Advertising Contract are no less favourable to the Group than those available from other Independent Third Parties.

Furthermore, we have obtained, from the Management, the pricing range of all web advertising contracts with similar payment terms conducted by China Communication Heilongjiang with other Independent Third Parties, and note that (i) the advertising fees for different publication timeslots charged by China Communication Heilongjiang to other Independent Third Parties are the same or higher than those advertising fees charged by China Communication Heilongjiang to Heilongjiang Shentong under the Heilongjiang Shentong Web Advertising Contract; and (ii) the maximum discount rate offered by China Communication Heilongjiang to other Independent Third Parties is 35%, which is same as the discount provided under the Heilongjiang Shentong Web Advertising Contract. The prices and maximum discount offered by China

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Communication Heilongjiang to Heilongjiang Shentong under the Heilongjiang Shentong Web Advertising Contract are therefore no less favourable to the Group than those offered by CCC to other Independent Third Parties.

To assess whether those web advertising contracts follow the aforesaid pricing policy of CCC, we also reviewed five sample web advertising contracts with similar payment terms conducted by China Communication Heilongjiang with other Independent Third Parties and with similar nature of services. Given that the major terms and nature of service provided are similar, we consider that such contracts are comparable to the Heilongjiang Shentong Web Advertising Contract and are representative. Based on the above sample evidences, we found that (i) advertising fees and maximum discount rates offered by China Communication Heilongjiang to other Independent Third Parties indeed follow the aforesaid pricing basis; and (ii) other payment terms under the Heilongjiang Shentong Web Advertising Contract are substantially the same as those offered by China Communication Heilongjiang to other Independent Third Parties.

Taking into consideration that the prices and maximum discount offered by China Communication Heilongjiang to the Group are no less favourable than (i) those offered by other Independent Third Parties to the Group; and (ii) those offered by China Communication Heilongjiang to other Independent Third Parties, we are of the view and concur with the view of the Management that the prices and other payment terms under Heilongjiang Shentong Web Advertising Contract are fair and reasonable.

(iii) The proposed annual caps

The table below shows the relevant proposed annual caps for the three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Heilongjiang Shentong Web Advertising Contract	2.90	2.90	2.90

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

- (a) the contract price for the section of 12:20 to 15:19 (i.e. 3 hours in total) of RMB12,000 (equivalent to approximately HK\$14,400) per section with a discounted price of RMB7,800 (equivalent to approximately HK\$9,360) per section;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

- (b) the estimated number of sections to be used for the years ending 31 March 2022, 2023 and 2024 of 365, 365 and 365 respectively; and
- (c) the historical usage and transaction amount under the Existing Heilongjiang Shentong Web Advertising Contract.

The table below summarises the historical transaction amounts and the utilisation rate of the Existing Heilongjiang Shentong Web Advertising Contract (i) for the year ended 31 March 2019; (ii) for the year ended 31 March 2020; and (iii) for the nine months ended 31 December 2020.

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Existing Heilongjiang Shentong Web Advertising Contract			
Historical annual cap (<i>RMB million</i>)	2.70	3.00	3.30 <i>(Note 1)</i>
Historical transaction amount (<i>RMB million</i>)	2.70 <i>(Note 2)</i>	2.85 <i>(Note 2)</i>	2.15 <i>(Note 3)</i>
Utilisation rate	100.00%	95.00%	86.87% <i>(Note 4)</i>

Notes:

1. The historical annual cap is for the year ending 31 March 2021.
2. The relevant figures are audited.
3. The relevant figure is unaudited.
4. The utilisation rate represents the historical transaction amount for the nine months ended 31 December 2020 as compared to the annual cap for the year ending 31 March 2021, on a pro rata basis.

As shown in the above table, we noted that the utilisation rates of historical annual cap were (i) 100.00% for the year ended 31 March 2019; (ii) approximately 95.00% for the year ended 31 March 2020; and (iii) approximately 86.87% for the nine months ended 31 December 2020.

Taking into account (i) the relevant historical transaction amounts, indicating consistent amounts of web advertisement placed by Heilongjiang Shentong; and (ii) the annual caps for the transactions contemplated under the Heilongjiang Shentong Web Advertising Contract were determined with reference to the estimated amount of advertisements to be placed by

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Heilongjiang Shentong and the prevailing charging rates, we consider that the annual caps for the transactions contemplated under the Heilongjiang Shentong Web Advertising Contract are fair and reasonable.

Also taking into account that advertising on the website of China Communication Heilongjiang is an effective way of marketing relating to Robotics Education Business of Heilongjiang Shentong, we consider that the Heilongjiang Shentong Web Advertising Contract is in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. *Shentong Card Management and Sales Contract*

(i) Background

Pursuant to the Shentong Card Management and Sales Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, Shentong Yijia agreed to provide services to CCC including: (i) management and sale of the Designated Shentong Cards; (ii) assisting CCC in the after-sale services for the Designated Shentong Card; (iii) following up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card.

As advised by the Company and as shown in the 2020 Annual Report, the Shentong Card Business is one of the two revenue sources of the Group. According to the Management, the revenue of such business segment was mainly generated from the provision of the distribution and management services in relation to the Designated Shentong Cards under the Existing Shentong Card Management and Sales Contract. As such, we consider that the Shentong Card Management and Sales Contract is essential to the Shentong Card Business of the Group, and is thus in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Pricing basis

Pursuant to the Shentong Card Management and Sales Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, CCC shall pay:

- (a) issuance handling fees of RMB5 (equivalent to approximately HK\$6) for each Designated Shentong Card issued by Shentong Yijia;
- (b) sale commission of RMB3 (equivalent to approximately HK\$3.6) for the insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

As advised by the Management, Shentong Yijia is the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards and as such there is no comparable service in the market. The above prices and payment terms were determined after arm's length negotiation between CCC and the Group, and are the same as those under the Existing Shentong Card Management and Sales Contract.

In view of the above, we are of the view and concur with the view of the Management that the prices and other payment terms under Shentong Card Management and Sales Contract are fair and reasonable.

(iii) The proposed annual caps

The table below shows the proposed annual caps under the Shentong Card Management and Sales Contract for the three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Shentong Card Management and Sales Contract	2.55	2.55	2.55

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

- (a) the historical usage and transaction amount under the Existing Shentong Card Management and Sales Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

The table below summarises the historical transaction amounts and the utilisation rate of the Existing Shentong Card Management and Sales Contract (i) for the year ended 31 March 2019; (ii) for the year ended 31 March 2020; and (iii) for the nine months ended 31 December 2020.

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the nine months ended 31 December 2020
Existing Shentong Card Management and Sales Contract			
Historical annual cap (<i>RMB million</i>)	27.00	29.00	31.00 <i>(Note 1)</i>
Historical transaction amount (<i>RMB million</i>)	18.90 <i>(Note 2)</i>	8.47 <i>(Note 2)</i>	0.43 <i>(Note 3)</i>
Utilisation rate	70.00%	29.21%	1.85% <i>(Note 4)</i>

Notes:

1. The historical annual cap is for the year ending 31 March 2021.
2. The relevant figures are audited.
3. The relevant figure is unaudited.
4. The utilisation rate represents the historical transaction amount for the nine months ended 31 December 2020 as compared to the annual cap for the year ending 31 March 2021, on a pro rata basis.

As shown in the above table, we noted that the utilisation rates of historical annual cap were (i) approximately 70.00% for the year ended 31 March 2019; (ii) approximately 29.21% for the year ended 31 March 2020; and (iii) approximately 1.85% for the nine months ended 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the revenue generated under the Existing Shentong Card Management and Sales Contract were either through new issues of Designated Shentong Cards or commission for purchase through Designated Shentong Cards. Amongst all the CCT Agreements, only the Shentong Card Management and Sales Contract are related to the Group's revenue. Based on the actual transaction amounts as stated above, the historical transaction amounts under the Existing Shentong Card Management and Sales Contract for FY2019 and FY2020 represent approximately 12.45% (the period before the outbreak of COVID-19) and 7.37% (the period that there is outbreak of COVID-19) of the total revenue of the Group for FY2019 and FY2020 respectively. As (i) the Group intends to allocate more resources on the Robotics Education Business; (ii) the annual caps of the Shentong Card Management and Sales Contract has been lowered; and (iii) the historical transaction amounts under the Existing Shentong Card Management and Sales Contract for FY2019 and FY2020 represent approximately 12.45% and 7.37% of the total revenue of the Group for FY2019 and FY2020 respectively, we are of the view and concur with the Management that the ratio of revenue to be generated from the Shentong Card Management and Sales Contract as compared to the total revenue of the Group for the three years ending 31 March 2024 will not increase significantly.

Given that (i) the relevant historical transaction amounts, which the utilisation rate were continuously declining in the recent years; (ii) the Group was not able to outreach the potential clients during the outbreak of COVID-19; (iii) the revenue generated from the Existing Shentong Card Management and Sales Contract only represent approximately 12.45% and 7.37% of the total revenue of the Group for FY2019 and FY2020 respectively; and (iv) the Group has allocated more resources on the upcoming Robotics Education Business in recent years because of the profitability before the outbreak of COVID-19 as mentioned under the section headed "II. Reasons for and benefits of the entering into of the CCT Agreements" above in this letter, we are of the view and concur with the Directors' view that the lower proposed annual caps of the Shentong Card Management and Sales Contract are fair and reasonable and the Shentong Card Management and Sales Contract does not constitute over reliance of source of revenue from the CCC Group.

Also taking into account that the terms of the Shentong Card Management and Sales Contract are substantially the same as the Existing Shentong Card Management and Sales Contract (save for the annual caps), we are of the view and concur with the view of the Management that the Shentong Card Management and Sales Contract is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. *Heilongjiang Operation and Management Contract*

(i) Background

Pursuant to the terms of the Heilongjiang Operation and Management Contract, for the period commencing on 1 April 2021 and ending on 31 March 2024, China Communication Heilongjiang Mudanjiang shall provide operation and management services to Heilongjiang Shentong in a training centre in Mudanjiang City in the Heilongjiang Province, the PRC, which shall include: (i) user management and development in venues; (ii) communication with schools and relevant governmental authorities; (iii) venue safety, facilities maintenance, organisation of competitions; (iv) handling of user complains under the supervision of Heilongjiang Shentong and the relevant governmental authorities; and (v) local marketing and promotion.

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

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

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

(ii) Pricing basis

Pursuant to the Heilongjiang Operation and Management Contract, Heilongjiang Shentong shall pay a fee to China Communication Heilongjiang Mudanjiang which is calculated as 15% of the overall income of the operation of the training centre of Heilongjiang Shentong in Mudanjiang, Heilongjiang which payment is made through and processed by the CRC Shentong Card integrated payment management system.

As stated in the Board Letter, 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.

As advised by the Management, there is no similar transaction conducted between Heilongjiang Shentong and other Independent Third Parties as China Communication Heilongjiang Mudanjiang is the single management service provider. We also attempted to review operation and management contracts (with similar payment terms) conducted by China Communication Heilongjiang Mudanjiang with other Independent Third Parties but are advised that there are no such transaction. Nevertheless, according to the Management, the fee of 15%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was determined after negotiations on an arm's length basis and the Management is of the view that it is not in the interests of the Group to allocate additional resources to develop a management team itself under the current financial position as mentioned under the section headed "II. Reasons for and benefits of the entering into of the CCT Agreements" above in this letter. In addition, given that the fee is directly proportional to the overall income and there is no minimum fee, less set-up costs and fixed costs would be incurred to Heilongjiang Shentong as compared with managing the relevant venues and users by itself. According to the Management, in the extreme situation that the Group's business relationship with the CCC Group or the services provided by the CCC Group under the Heilongjiang Operation and Management Contract is ceased, the Group will allocate the resources that related to the Heilongjiang Operation and Management Contract to set up the management team itself to manage and operate the training centre in Mudanjiang City.

Based on the above, we are of the view and concur with the view of the Management that the management fee and other payment terms under the Heilongjiang Operation and Management Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(iii) The proposed annual caps

The table below shows the relevant proposed annual caps for three years ending 31 March 2024 respectively:

	For the year ending		
	31 March 2022	31 March 2023	31 March 2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Heilongjiang Operation and Management Contract	0.85	1.00	1.10

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

- (a) the historical usage and transaction amount under the Existing Heilongjiang Operation and Management Contract; and
- (b) an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the relevant annual caps for each of the year ended 31 March 2022, 2023 and 2024 represents the estimated management service fee payable by Heilongjiang Shentong which is derived from the estimated training fee and other income generated from the training centre of Heilongjiang Shentong in Mudanjiang. The slight decrease of annual caps (i.e. RMB0.90 million, RMB1.20 million and RMB1.40 million for the years ended 31 March 2019 and 2020 and for the year ending 31 March 2021 respectively) represents an expected reduction to the transaction amounts for the years ending 31 March 2022, 2023 and 2024 due to the impacts of the governmental social distancing measures to the businesses of the Group as a result of the COVID-19 outbreak. Based on the above, we are of the view and concur with the view of the Management that the relevant annual caps for the transactions contemplated under the Heilongjiang Operation and Management Contract are fair and reasonable.

IV. Pricing policy and internal control for implementing the CCT Agreements

As stated in the Board Letter, the basis of determining the prices of the services to or from the Group under each of the CCT Agreements (except Shentong Card Management and Sales Contract and Heilongjiang Operation and Management Contract where there is no comparable service in the market) will be in accordance with the prevailing market prices of similar services and based on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar services, taking into account the price of the same or substantially similar services with comparable order quantities and quality offered to/by other suppliers; and
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those currently offered by the Group to, or received by the Group from, Independent Third Parties in respect of the same or substantially similar products or services with comparable quantities.

In this regard, in relation to the services to or from the Group under each of the CCT Agreements, the Finance Department of the Company will invite quotations from at least two independent supplier(s); and review at least five similar contract(s) between the CCC Group as supplier and independent purchasers (except the Shentong Card Management and Sales Contract and Heilongjiang Operation and Management Contract for which there are no comparable service in the market; and for the Heilongjiang Shentong CRC Shentong Card Payment System Contract, only five similar contracts between the CCC Group and independent purchasers were reviewed as the CRC Shentong Card integrated payment management system as provided for use by CCC is a tailor-made system which is not readily available in the market), to get a reference on the prevailing market prices for the relevant services to be procured. Such quotations and/or similar contracts will be reviewed and evaluated from both the technical and commercial perspectives by the Finance Manager of the Company compared against the pricing basis under the CCT Agreements to ensure that the services to be procured under the CCT Agreements are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

better than or at least the same as to the prices and terms for such services being offered by other Independent Third Parties thereby ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

According to the Management, in addition to the above procedures in relation to pricing under the CCT Agreements, the Group will continue to implement the followings internal control measures to ensure that the continuing connected transactions are conducted within the framework of the CCT Agreements:

- (i) To ensure that the actual prices for the transactions under the CCT Agreements are on normal commercial terms and on terms no less favourable to the Group than that available from other Independent Third Party suppliers, the Finance Department of the Company will conduct regular checks to review and assess whether the products have been supplied or purchased in accordance with the terms of the relevant agreement and that the relevant annual caps is not exceeded;
- (ii) The independent non-executive Directors will review the transactions under the CCT Agreements annually to ensure (a) the terms of the CCT Agreements are fair and reasonable and in the interest of the Company and Shareholders as a whole; (b) the relevant transactions are entered into in the ordinary and usual course of business of the Group; (c) on normal commercial terms; and (d) the relevant transactions are entered into on normal commercial terms or on terms no less favourable to the Company than terms available to or from other Independent Third Parties; and
- (iii) The Company will engage its auditors to report on the CCT Agreements annually confirming whether (a) the relevant transactions under the CCT Agreements have received approval by the Board; (b) the transactions are entered into, in all material respects, in accordance with the CCT Agreements governing them; and (c) with respect to the aggregate amount of the continuing connected transactions under the CCT Agreements, such transactions do not exceed the relevant annual caps.

Regarding items (ii) and (iii) above, we also review the relevant reports and statements by the independent non-executive Directors and the auditors of the Company respectively for the previous continuing connected transactions of the Group, and do not notice any anomaly. Accordingly, we consider that there are adequate and enforceable internal control measures in place regarding the continuing connected transactions contemplated under the CCT Agreements.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the entering of CCT Agreements is in the ordinary and usual course of business of the Group; and (ii) the terms of CCT Agreements (including but not limited to their respective annual caps) are on normal commercial terms, fair and reasonable so far as the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the CCT Agreements (including but not limited to their respective annual caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited

Po Chan
Executive Director

Kevin Wong
Vice President

Ms. Po Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 17 years of experience in the corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in the corporate finance industry.

** The English translation of the Chinese name(s) in this letter, where indicated (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

1. 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executives in shares and underlying shares and debentures

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

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

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at the Latest Practicable Date.

(b) Interests and short positions of shareholders in shares and underlying shares

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:

Name of shareholder	Number of shares held			Total	Approximate percentage of issued share capital
	Personal interests	Corporate interests	Other interests		
CCC (<i>Note 1</i>)	—	472,042,000	—	472,042,000	24.90%
CCI	472,042,000	—	—	472,042,000	24.90%
Yang Shao Hui	191,041,256	—	—	191,041,256	10.08%
Cao Bingsheng	120,000,000	—	—	120,000,000	6.33%
Liang Haiqi	120,000,000	—	—	120,000,000	6.33%
Li Chungang (<i>Note 2</i>)	—	109,900,000	—	109,900,000	5.80%
Friendly Capital Limited	109,900,000	—	—	109,900,000	5.80%

Note:

- (1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules as CCI is a wholly-owned subsidiary of CCC.
- (2) Friendly Capital Limited is wholly-owned by Li Chungang and he is therefore deemed to be interested in 109,900,000 shares held by Friendly Capital Limited by virtue of the SFO.

Save as disclosed above, as at 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.

3. 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and the Independent Financial Adviser has, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
Nuada Limited	A licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Nuada Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's supplemental announcement in relation to interim results and interim report for the six months ended 30 September 2020 dated 30 December 2020 and the profit warning announcement dated 8 February 2021, the Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 March 2020, being the date of which the latest audited financial statement of the Group was made up.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yiu King Ming, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is located at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

10. 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) each of the CCT Agreements;
- (b) written consent referred to in the paragraph headed “Expert and consent” in this appendix;
- (c) the letter from the Board, the text of which is set out on pages 7 to 39 in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 40 to 41 in this circular;
- (e) the letter of advice from the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 42 to 77 in this circular; and
- (f) this circular.

NOTICE OF EGM



Shentong Robot Education Group Company Limited 神通機器人教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8206)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders of Shentong Robot Education Group 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 30 March 2021 at 11 a.m. for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Heilongjiang Shentong CRC Shentong Card Payment System Contract (as defined in the circular of the Company dated 12 March 2021 (the “**Circular**”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Heilongjiang Shentong CRC Shentong Card Payment System Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors (the “**Director(s)**”) of the Company be and is/ are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Heilongjiang Shentong CRC Shentong Card Payment System Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

NOTICE OF EGM

2. “THAT

- (a) the Heilongjiang Shentong 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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Heilongjiang Shentong Customer Service Hotline Rental Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Heilongjiang Shentong Customer Service Hotline Rental Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

3. “THAT

- (a) the Heilongjiang Shentong 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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Heilongjiang Shentong Server Hosting Agreement as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Heilongjiang Shentong Server Hosting Agreement and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

NOTICE OF EGM

4. “THAT

- (a) the Heilongjiang Shentong Web Advertising Contract (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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Heilongjiang Shentong Web Advertising Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Heilongjiang Shentong Web Advertising Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

5. “THAT

- (a) the Yijia Customer Service Hotline Rental Contract (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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Yijia Customer Service Hotline Rental Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Yijia Customer Service Hotline Rental Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

NOTICE OF EGM

6. “THAT

- (a) the Yijia Server Hosting Agreement (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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Yijia Server Hosting Agreement as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Yijia Server Hosting Agreement and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

7. “THAT

- (a) the Shentong Card Management and Sales 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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Shentong Card Management and Sales Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Shentong Card Management and Sales Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

NOTICE OF EGM

8. “**THAT**

- (a) the Heilongjiang Operation and Management 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, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the Heilongjiang Operation and Management Contract as stated in the Circular for each of the three years ending 31 March 2024 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Heilongjiang Operation and Management Contract and the transactions contemplated thereunder and to make and agree to such variations of a non-material nature to any of the terms therein as he/she/they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

Yours faithfully,

For and on behalf of the Board

Shentong Robot Education Group Company Limited

He Chenguang

Chairman

Hong Kong, 12 March 2021

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

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Hong Kong branch share registrar and transfer office 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 (i.e. no later than 28 March 2021 at 11 a.m. (Hong Kong Time)) or any adjournment thereof.
3. The register of members of the Company will be closed from 25 March 2021 to 30 March 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 24 March 2021 (Hong Kong Time).
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so presents whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Completion and delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
6. The above resolutions will be put to vote at the EGM by way of poll.
7. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the HKEXnews website (www.hkexnews.hk) and the website of the Company (www.SRobotEdu.com) and to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EGM

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, staff and stakeholders from the risk of infection:

- **compulsory body temperature checks and health declarations**
- **recommended wearing of a surgical face mask for each attendee**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

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

Mr. He Chenguang (Executive Director and Chairman)

Mr. Bao Yueqing (Executive Director and Chief Executive Officer)

Mr. Yip Tai Him (Independent Non-Executive Director)

Ms. Han Liqun (Independent Non-Executive Director)

Ms. Zhang Li (Independent Non-Executive Director)