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 to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Powerleader Science & Technology Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

宝德
PowerLeader

宝德科技集團股份有限公司
POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8236)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SHENZHEN IDC BUSINESS AND THE VALUE-ADDED CLOUD SERVICES BUSINESS

(2) CONNECTED TRANSACTION IN RELATION TO THE GRANT OF THE NON-COMPETITION UNDERTAKINGS

(3) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

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

VINCO 域高

Vinco Capital Limited
(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 8 to 51 of this circular. A letter from Vinco Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 54 to 85 of this circular.

The EGM will be held at main conference room, 11/F, Town C, Shenzhen International Innovation Centre, No.1006 Shennan Road, Futian District, Shenzhen, the PRC on Monday, 26 June 2017 at 3:00 p.m.. Further details of the EGM are set out in the notice issued by the Company dated 6 June 2017. A form of proxy in respect of the EGM was despatched by the Company on 6 June 2017. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the registered office of the Company at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the EGM or at any adjournment thereof. Completion and delivery of the Proxy Form will not prevent you from attending, and voting at, the meeting or any adjournment thereof if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page and on the Company's website at http://www.powerleader.com.cn/ for a minimum period of 7 days from the date of its posting.

* *For identification purpose only*

9 June 2017

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

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

CONTENTS

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

"Agreement"	the conditional agreement dated 1 September 2016 entered into between the Company and Zqgame in relation to the Disposal
"Agreement of Intent"	the agreement of intent dated 8 January 2017 entered into by the Company, PC Research Institute and Taiji Computer under which the Group intended to sell the entire equity interests of Powerleader Computing (which wholly-owns Powerleader Software, Powerleader Computer System (HK) and Powerleader Cloud Systems) to Taiji Computer which had lapsed on 7 April 2017
"Articles of Association"	the articles of association of the Company as amended from time to time
"Asset Impairment Compensation"	the compensation to be made by the Company to Zqgame when the value of asset impairment of Baoteng Internet is greater than total compensation amount paid under the Profit Guarantee Compensation, details of which are set out in the section headed "Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) — Asset Impairment Compensation" in the Letter from the Board in this circular
"Asset Transfer Agreements"	the asset transfer agreements dated 16 November 2016 entered into between the Company and Baoteng Internet in relation to the transfer of Subject Assets and Retained Assets between the Company and Baoteng Internet prior to Completion
"associates"	has the same meaning as defined in the GEM Listing Rules
"Baoteng Internet"	Shenzhen Baoteng Internet Technology Limited* (深圳市宝騰互聯科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Benchmark Date"	30 June 2016, the valuation date of Baoteng Internet
"Board"	the board of Directors
"Business Day"	a day on which commercial banks are generally opened for business in the PRC (excluding Sundays and statutory holidays)
"CDN Business"	the business of static page acceleration, dynamic pages acceleration, file transfer acceleration, streaming media acceleration and related value-added services

"close associates"	has the meaning ascribed to it under the GEM Listing Rules
"Company"	Powerleader Science & Technology Group Limited* (宝德科技集團股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H Shares are listed on GEM (Stock Code: 8236)
"Company Undertakings"	the non-competition undertakings given by the Company on 1 September 2016 to resolve the potential competition issues between the Company and Zqgame in connection with the transactions contemplated under the Agreement
"Compensation Period"	the three financial years ending 31 December 2017, 2018 and 2019
"Completion"	completion of the Disposal in accordance with the terms of the Agreement
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the entire equity interest in Baoteng Internet by the Company to Zqgame in accordance with the terms of the Agreement and the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement)
"Domestic Shares(s)"	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
"EGM"	the extraordinary general meeting of the Company to be convened and held at main conference room, 11/F, Town C, Shenzhen International Innovation Centre, No.1006 Shennan Road, Futian District, Shenzhen, the PRC on Monday, 26 June 2017 at 3:00 p.m. to consider and, if thought fit, to approve, among other things, the Disposal, the grant of the Company Undertakings and the Proposed Articles Amendment
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries

"Guangzhou IDC Business"	the IDC Business situated at Guangzhou Luogang Internet Data Center* (廣州蘿崗互聯網數據中心), Enterprises Accelerator C7 Building, No.11 Kaiyuan Road, Luogang District, Science Park, Guangzhou carried on by the Group
"H Shares"	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IaaS Business"	Cloud Infrastructure as a Service — provision of cloud server and cloud storage equipment as well as related solutions
"IDC Business"	internet data center business
"Independent Board Committee"	the independent committee of Board consisting of Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun, being all the independent non-executive Directors, formed to advise the Independent Shareholders in relation to the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the Company Undertakings
"Independent Financial Adviser" or "Vinco Capital"	Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock code: 8340), being a corporation licensed for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the Company Undertakings
"Independent Shareholders"	Shareholders other than Powerleader Investment and its associates
"Latest Practicable Date"	6 June 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"LCD"	liquid crystal display

"MaaS Business"	Cloud Module as a Service — provision of research and development, design, manufacturing and sale of cloud computing equipment related components as well as cloud computing equipment key components agency distribution and related value-added services
"Non-Competition Undertakings"	the Company Undertakings and the Speedtop Undertakings
"PC Research Institute"	Shenzhen Powerleader Cloud Computing Research Institute Limited* (深圳市宝德雲計算研究院有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Powerleader Cloud Systems"	Shenzhen Powerleader Cloud Systems Company Limited* (深圳市宝德雲系統有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Powerleader Computing
"Powerleader Computer System (HK)"	Powerleader Computer System (Hong Kong) Company Limited* (宝德計算機(香港)有限公司), a company limited by shares incorporated in Hong Kong and a wholly-owned subsidiary of Powerleader Computing
"Powerleader Computing"	Shenzhen Powerleader Computing System Limited* (深圳市宝德計算機系統有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Powerleader Data Service"	Shenzhen Baoteng Internet Big Data Technology Service Limited* (深圳市宝騰互聯大數據技術服務有限公司), formerly known as Shenzhen Powerleader Big Data Technology Service Limited* (深圳市宝德大數據技術服務有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Baoteng Internet
"Powerleader Investment"	Powerleader Investment Holding Company Limited* (深圳市宝德投資控股有限公司), a company incorporated in the PRC holding approximately 42.05% of the Shares, and is directly and indirectly held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively
"Powerleader Software"	Shenzhen Powerleader Software Development Limited* (深圳市宝德軟件開發有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Powerleader Computing
"PRC"	the People's Republic of China

"Profit Guarantee Compensation"	the compensation to be made by the Company to Zqgame for failure to achieve the profit guarantee in respect of Baoteng Internet, details of which are set out in the section headed "Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement)" in the Letter from the Board in this circular
"Profit Guarantee Compensation Agreement"	a profit guarantee compensation agreement dated 1 September 2016 entered into by the Company and Zqgame
"Proposed Articles Amendment"	the proposed amendment to the Articles of Association, particulars of which are set out in the section headed "Proposed Amendment to the Articles of Association" in the Letter from the Board in this circular
"Relevant Period"	the period from the day after the Benchmark Date up to and including the date of Completion, but for the purpose of calculating the profit or loss of Baoteng Internet, the period commencing after the Benchmark Date up to the last day of the month before the date of Completion
"Retained Assets"	the assets, rights, interests and obligations of Baoteng Internet to be transferred to the Group, details of which are set out in the section headed "The Agreement — Transfer of Subject Assets and Retained Assets before Completion by way of internal restructuring" in the Letter from the Board in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SaaS & PaaS Business"	Software and Platform as a Service — provision of development and services of cloud computing related software and platform
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	H Shares, Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or re-classification thereof from time to time in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)

"Shenzhen IDC Business"	the IDC Business situated at Shenzhen Guanlan Internet Data Center* (深圳觀瀾互聯網數據中心), No. 3 Guanyi Road, Guanlan Hi-tech Industrial Park, Longhua District, Shenzhen carried on by the Group, including customization of data center, rental service of data center rack
"Speedtop"	Shenzhen Speed Top Network Technology Company Limited* (深圳市速必拓網絡科技有限公司), a company incorporated in the PRC with limited liability, and is owned by Powerleader Investment and Madam Zhang Yunxia as to 50% each
"Speedtop Undertakings"	the non-competition undertakings made by Mr. Li Ruijie, Madam Zhang Yunxia, Powerleader Investment and Speedtop on 1 September 2016 to resolve the potential competition issues between them and Zqgame in connection with the transactions contemplated under the Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Assets"	the assets, rights, interests and obligations of the Shenzhen Internet Data Center of the Group (other than those already held under Baoteng Internet and Powerleader Data Service) to be transferred to Baoteng Internet, details of which are set out in the section headed "The Agreement — Transfer of Subject Assets and Retained Assets before Completion by way of internal restructuring" in the Letter from the Board in this circular
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules
"Supplemental Agreement to the Profit Guarantee Compensation Agreement"	the supplement agreement dated 1 March 2017 entered into by the Company, Zqgame, Mr. Li Ruijie and Ms. Zhang Yunxia to amend the Profit Guarantee Compensation Agreement
"Taiji Computer"	Taiji Computer Corporation Limited* (太極計算機股份有限公司), a limited company incorporated in PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (002368.SZ)
"Taiji Computer Transaction"	the disposal of Powerleader Computing and its subsidiaries, which operate the Group's server related business, private cloud business and other related research and development business, to Taiji Computer in consideration for cash and issue of new shares by Taiji Computer, details of which are set out in the circular of the Company to the Shareholders dated 11 May 2016

"Target Assets"	the assets owned by Baoteng Internet after the transfers of the Subject Assets and of the Retained Assets by way of internal restructuring of the Group as detailed in the section headed "The Agreement — Transfer of Subject Assets and Retained Assets before Completion by way of internal restructuring" in the Letter from the Board in this circular have been completed
"USD"	United States Dollar, the lawful currency of the United States of America
"Valuation"	the valuation of the entire shareholders' interest in Baoteng Internet at RMB501,660,100 as at the Benchmark Date by the Valuer
"Valuer"	Vocation (Beijing) International Assets Appraisal Co., Ltd., a member of the China Appraisal Society, a professionally qualified valuer in the PRC
"Value-added Cloud Services Business"	the provision of value-added services on public cloud computing to customers of the Shenzhen IDC Business
"Zqgame"	Shenzhen ZQGAME Co. Ltd.* (深圳中青宝互動網絡股份有限公司), a company incorporated in PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 300052). Zqgame is an associated company of the Group, of which the Company and Powerleader Investment held approximately 15.24% and 27.86% of the total issued shares respectively as at the Latest Practicable Date
"%"	per cent

* *For identification purpose only*

宝德科技集團股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8236)

Executive Directors:
Ms. Zhang Yunxia *(Chairman)*
Mr. Dong Weiping
Mr. Ma Zhumao

Non-executive Directors:
Mr. Li Ruijie
Mr. Sun Wei
Mr. Xu Yueming

Independent non-executive Directors:
Mr. Chan Shiu Yuen Sammy
Dr. Guo Wanda
Mr. Jiang Baijun

Registered office:
Room 43A, 43rd Floor, Block C,
Electronics Science & Technology Building,
Shennan Road Central,
Futian District,
Shenzhen,
The PRC

Principal place of business in Hong Kong:
Unit 105, 1/F,
Sunbeam Centre,
27 Shing Yip Street,
Kwun Tong,
Kowloon, Hong Kong

9 June 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SHENZHEN IDC BUSINESS AND THE VALUE-ADDED CLOUD SERVICES BUSINESS

(2) CONNECTED TRANSACTION IN RELATION TO THE GRANT OF THE NON-COMPETITION UNDERTAKINGS

(3) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

1. INTRODUCTION

Reference is made to the announcements of the Company dated 1 September 2016, 21 November 2016 and 1 March 2017 in relation to the Disposal and the Proposed Articles Amendment.

* *For identification purpose only*

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Disposal and the Non-Competition Undertakings, (ii) the Proposed Articles Amendment, (iii) a letter from the Independent Board Committee, (iv) a letter from Vinco Capital, (v) the financial information of the Group, (vi) the letters in relation to the profit forecast under the valuation on Baoteng Internet, and (vii) other information as required by the GEM Listing Rules.

2. BACKGROUND OF THE DISPOSAL

The Group is principally engaged in the provision of cloud computing products and related solutions and services, which mainly include IaaS Business, MaaS Business and SaaS & PaaS Business. The Company made adjustments to the business structure and direction of development of the Group during 2015 and 2016 as set out below:

The first adjustment in May 2015 (the "First Adjustment")

The Company contemplated an adjustment to its business plan in May 2015 when it commenced negotiations with Taiji Computer regarding the Taiji Computer Transaction. As disclosed in the announcement of the Company dated 23 December 2015, the Group entered into agreements for the disposal to Taiji Computer of the entire equity interest in Powerleader Computing, which together with its subsidiaries are engaged in server related, private cloud and other related research and development businesses, in consideration of cash and issue of new shares by Taiji Computer. Such businesses comprise a substantial part of the Group's IaaS Business and part of its SaaS & PaaS Business.

The Company's intention in relation to the First Adjustment was earlier disclosed in its 2015 interim report. The Company stated that for the IaaS Business, the Group would line up its business partners in the information technology industry within the PRC, in order to integrate their resources in the cloud computing industry chain, thereby strengthening its capabilities in the software and hardware segments comprehensively. After the Taiji Computer Transaction was entered into, the Company expressed in its 2015 annual report that the Group would engage in cooperations with Taiji Computer and operate under the dual-brand name of "Taiji-PowerLeader".

The Taiji Computer Transaction which constituted a very substantial disposal and a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules was approved by the Shareholders at the extraordinary general meeting held on 31 May 2016. In view of the vast changes in the stock market in the PRC in 2016, after negotiations between the Company and Taiji Computer, both parties decided to withdraw the application of the Taiji Computer Transaction from CSRC, which in turn led to one of the conditions to the agreement for the Taiji Computer Transactions had not been fulfilled and therefore that agreement failed to take effect. Notwithstanding the aforesaid, since it is the intention of both the Group and Taiji Computer to carry out the disposal under the Taiji Computer Transaction, the Company and Taiji Computer entered into an Agreement of Intent on 8 January 2017 for the sale and purchase of the same equity interest under the Taiji Computer Transaction. After entering into the Agreement of Intent, the Company and Taiji Computer carried out negotiations on the relevant work for the possible disposal of the entire equity interests of Powerleader Computing (which wholly-owns Powerleader Software, Powerleader Computer System (HK) and Powerleader Cloud Systems) to Taiji Computer but did not reach agreement for such transaction. Since the parties to the Agreement of Intent had not entered into a formal agreement within three months after the date of Agreement of Intent and had also not reached agreement on the postponement, the Agreement of Intent automatically lapsed on 7 April 2017. The Company does not rule out the possibility of carrying out other capital operations such as spin-off or disposal of Powerleader Computing in the future. The Company will make timely disclosure if there is any further information.

The second adjustment in June 2016 (the "Second Adjustment")

The Company contemplated the second adjustment to its business plan in June 2016 for the disposal of the Group's Shenzhen IDC Business and Value-added Cloud Services Business, being part of the Group's SaaS and PaaS Business, to Zqgame, in view of the relatively active market for IDC Business and in anticipation of a reasonable valuation of such businesses in the disposal to a company listed on the Shenzhen Stock Exchange.

The Group also carries on the Guangzhou IDC Business. The construction of the first phase data centre rooms of the Guangzhou IDC Business has completed, while the construction of the second phase data centre rooms has not yet completed. As the Guangzhou IDC Business only has its 1st Phase completed for a relatively short period and has not yet generated any profit, the Directors take the view that the consideration for disposal of the Guangzhou IDC Business at this stage would be underestimated. Accordingly the Directors consider it is still pre-mature for the Group to dispose of the Guangzhou IDC Business.

Following the Disposal and after the sale of Powerleader Computing and its subsidiaries to Taiji Computer, the remaining businesses of the Group would be MaaS Business and SaaS and PaaS Business (including the Guangzhou IDC Business). The Group intends to focus its efforts on the development of its MaaS Business while also retaining the Guangzhou IDC Business after the Disposal.

The Company stated in its 2015 interim report its intention to focus on the Remaining Businesses, in particular, the MaaS Business, by strengthening cooperation with major brands, cooperating with the manufacturer's operation strategy and business model, as well as enriching the vast variety of products and resources that the Group provides. For the SaaS and PaaS Business, it was stated in the 2015 interim report that the Company is aiming to strengthen its investment in research & development, make advanced planning, and be bold in innovation, in order to offer customers with safe, reliable, convenient, outstanding and complete system of cloud services. Such intentions were also stated in the 2015 annual report of the Company as the business plan to enhance the development of the MaaS Business and of the SaaS and PaaS Business. The Disposal is consistent with and will also facilitate the carrying out of such business plans. While the Disposal was contemplated in June 2016, it was stated in the 2016 interim report that the Company would adopt various methods to expand the data center and cloud computing scale, the reasons being (i) a more profitable Shenzhen IDC Business will facilitate the reaching of the guaranteed profit and earlier receipt of the consideration under the Disposal; (ii) as the Company holds an approximately 15.24% of shareholding in Zqgame, it will still benefit from the profits of Shenzhen IDC Business after the Completion through its equity interest in Zqgame.

As disclosed in its 2016 annual report, since the Disposal is yet to be completed, the Shenzhen IDC Business and the Value-Added Cloud Services Business continue to be operated by the Group and their financial results are still being consolidated into the Group's financial statements. Further, the Company guaranteed to Zqgame that net profit of Baoteng Internet for the financial years ending 31 December 2017, 2018 and 2019. Therefore, in order to facilitate Baoteng Internet to achieve the profit guarantee, the Company considers that it is appropriate to continue to cultivate the data centre and cloud computing business.

Parties involved in the negotiation of the Disposal:

(1) Madam Zhang Yunxia (the Company's chairperson and executive Director; and Zqgame's director)

(2) Mr. Wang Li (the Company's vice president; and Zqgame's director)

(3) Mr. Li Ruijie (the Company's vice chairman and non-executive Director; and Zqgame's chairman, general manager and director)

(4) Mr. Xu Yueming (the Company's non-executive Director; and the secretary to the board of directors, vice general manager and chief financial officer of Zqgame)

(5) Mr. Dong Weiping (the Company's executive Director, president and company secretary)

(6) Ms. Zheng Nanfang (Zqgame's deputy general manager and director)

Sequence of events regarding the contemplation and negotiation of the Disposal:

Mr. Dong Weiping, as the Company's executive Director, president and company secretary, is responsible for the overall operations and management of the Group. Mr. Dong observed that there were a number of merger and acquisitions activities of IDC Business in the mainland capital market, and considered that the real value of the IDC Business of the Group can be realized through disposal, and he therefore decided to arrange a meeting with Zqgame to work out a feasible disposal plan. Mr. Dong initiated a meeting on 3 June 2016, attended by all persons mentioned above (other than Ms. Zheng Nanfang) at which the attendees mainly discussed about the trend and cases regarding the mergers and acquisitions of large-scale internet data centres in the

PRC, the scope of business to be disposed in the current transaction and the arrangements to be made with other working parties. It was agreed at the meeting that Mr. Wang Li would be responsible for liaising with various valuation companies and the Hong Kong legal adviser to the Company, and Mr. Xu Yueming would be responsible for liaising with auditors, PRC law firm and finance adviser.

On 8 June 2016, all persons mentioned above attended a meeting to determine the preliminary framework of the Disposal, and to discuss the feasibility of the Disposal, the schedule to proceed, and the due diligence and valuation work to be carried out by intermediaries.

In August 2016, apart from Ms. Zheng Nanfang, all persons mentioned above discussed certain amendments to the Disposal and negotiated and finalized the Agreement, the Profit Guarantee Compensation Agreement and the Non-Competition Undertakings, which were executed on 1 September 2016.

In February 2017, apart from Ms. Zheng Nanfang, all persons mentioned above discussed amendments to the Profit Guarantee Compensation Agreement and executed the Supplemental Agreement to the Profit Guarantee Compensation Agreement on 1 March 2017.

3. THE AGREEMENT

Date

1 September 2016

Parties

Vendor:	the Company
Purchaser:	Zqgame, the A shares of which are listed on the Shenzhen Stock Exchange

Under the Agreement, the Company conditionally agreed to sell, and Zqgame conditionally agreed to purchase the entire equity interests of Baoteng Internet, a wholly-owned subsidiary of the Group which directly wholly-owns Powerleader Data Service.

Powerleader Investment, the controlling shareholder of the Company, holds approximately 27.86% of the total issued shares of Zqgame, and the Company holds approximately 15.24% of the total issued shares of Zqgame. Zqgame is a 30%-controlled company (as defined in Rule 20.06(1) of the GEM Listing Rules) of Powerleader Investment. As Powerleader Investment being a substantial shareholder of the Company is a connected person of the Company, Zqgame being an associate of Powerleader Investment is also a connected person of the Company under Rule 20.07(4) under the GEM Listing Rules.

Assets to be disposed of

Baoteng Internet together with its wholly-owned subsidiary, Powerleader Data Service, are engaged in

(i) the Shenzhen IDC Business, including customization of data center, rental service of data center rack; and

(ii) the Value-added Cloud Services Business, comprising the provision of value-added services on public cloud computing to customers of the Shenzhen IDC Business such as connection to public cloud, public cloud platform, and public cloud management.

Baoteng Internet also carries on the CDN Business, which will be transferred by Baoteng Internet to the Group and will not be sold to Zqgame under the Disposal.

Transfer of Subject Assets and Retained Assets before Completion by way of internal restructuring

The Company agreed to transfer the Subject Assets related to the Shenzhen IDC Business held by the Group (other than those already held under Baoteng Internet and Powerleader Data Service) at nil consideration to Baoteng Internet pursuant to an internal restructuring of the Group before the Completion to ensure that Baoteng Internet can operate the Shenzhen IDC Business independently after the Completion.

As the CDN Business carried on by Baoteng Internet will be retained by the Group and will not be sold to Zqgame under the Disposal, Zqgame and the Company agreed that the Retained Assets related to the CDN Business held by Baoteng Internet shall be transferred at nil consideration to the Company and/or its subsidiary(ies).

The Company and Baoteng Internet entered into the Asset Transfer Agreements on 16 November 2016 for the transfer of (among other things) fixed assets (including IDC data room in Guanlan, switch board, computers, servers, computer ancillary equipment, office equipment), intangible assets (including software systems), business and customers resources, operational data, business records, equipment, inventories, monetary capital, human resources, intellectual property rights such as patents, trademarks, software copyrights, uncompleted orders, sales contracts, procurement contracts and the corresponding sale proceeds, relevant account receivables and debts in respect of the Subject Assets and the Retained Assets respectively.

The list of major items of the Subject Assets is as follows:

1. hardware equipment including load balancers, gigabit switches, array cabinets, server cabinets.

2. office supplies including computers, tool kits, office furniture and television.

3. warehouse equipment including warehouse shelves, storage file cabinets, file cabinets.

4. intangible assets including personnel card, server acceleration software, mutual electronic information room operation and maintenance management system software, IDC room visitor system.

5. human resources including human resources, research and development, operation and maintenance, sales, finance and other staff.

The list of major items of the Retained Assets is as follows:

1. hardware equipment including servers, switches, traffic cleaning equipment.

2. office supplies including office computers, small host computers, printers, office furniture.

3. warehouse equipment including large equipment cabinets and filing cabinets.

4. intangible assets including content distribution network software, mobile coordination office software, abnormal traffic detection system software.

5. human resources including human resources, research and development, operation and maintenance, sales, customer service and other staff.

The transfer of the Subject Assets and of the Retained Assets involves the following steps:

1. Review and approval by the board of directors of Baoteng Internet of the proposal regarding the transfer of Subject Assets, the Retained Assets and related matters.

2. Performance of financial due diligence work including reviewing the assets and liabilities of the Subject Assets and of the Retained Assets respectively.

3. Sorting out of the employees, contracts and clients of the Subject Assets and the Retained Assets.

4. Entering into the Asset Transfer Agreements by the Company and Baoteng Internet.

5. Completion of the Asset Transfer Agreements, which is subject to approval of the Disposal and the Company Undertakings by the Shareholders.

As at the Latest Practicable Date, the steps 1 to 4 above had been completed.

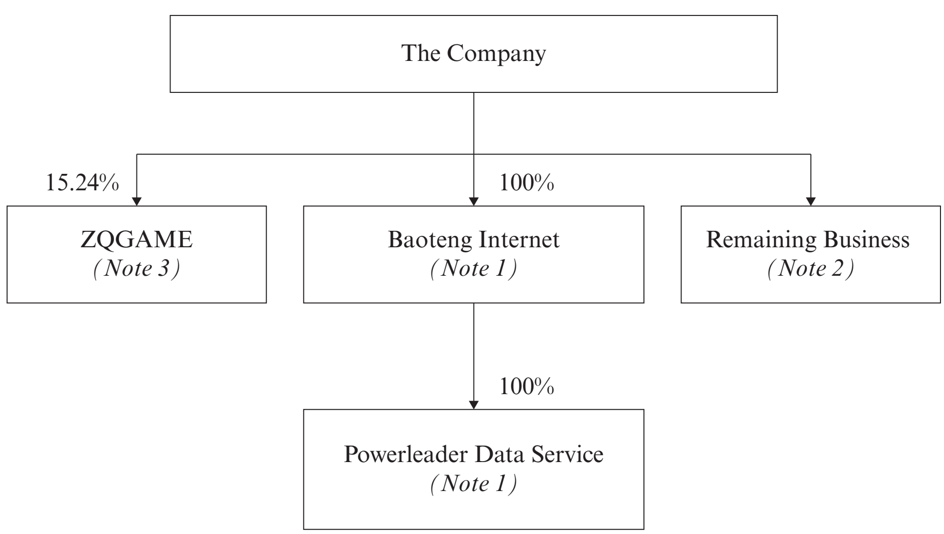
The audited book value and audited net book value of the Shenzhen IDC Business and Value-added Cloud Services Business, based on PRC accounting standards, were approximately RMB170,523,000 and approximately RMB117,760,000 respectively as at 30 June 2016.Therefore, the excess of the consideration over the net book value of the Shenzhen IDC Business and Value-added Cloud Services Business as at 30 June 2016 was approximately RMB382,240,000. The audited book value of the Target Assets as at 31 December 2016 was approximately RMB181,857,000.

The following is the audited financial information of Baoteng Internet assuming that the Subject Assets had been injected into Baoteng Internet and the Retained Assets had been disposed of by Baoteng Internet, for the two years ended 31 December 2016 (audited) and 31 December 2015 respectively (audited), which was prepared in accordance with the applicable accounting standards in the PRC under a special audit:

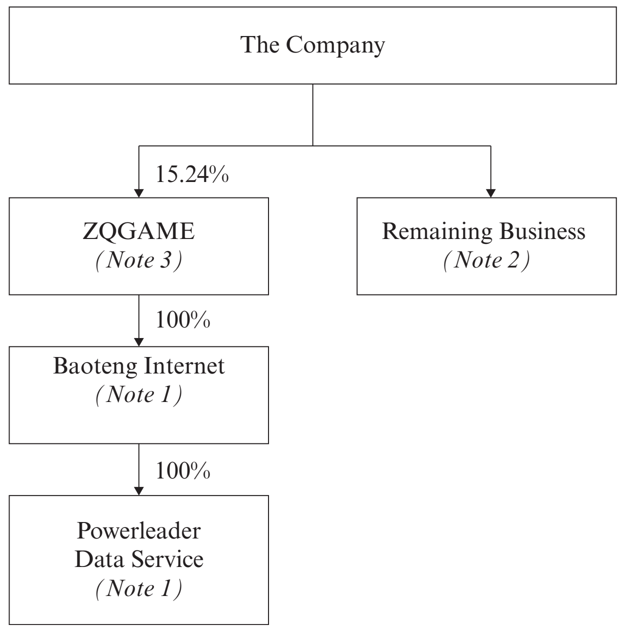
	For the year ended 31 December 2016 (audited)	**For the year ended 31 December 2015 (audited)**
Total assets	approximately RMB181,857,000	approximately RMB81,615,000
Net profit/loss	approximately RMB13,379,000	approximately RMB677,000
Total revenue	approximately RMB56,255,000	approximately RMB27,608,000

Please see below charts illustrating the group structure before and after the restructuring of Baoteng Internet and the Company pursuant to the Disposal:

Group structure before the restructuring of Baoteng Internet and the Company:



Group structure after the restructuring of Baoteng Internet and the Company:



After the Completion, both Baoteng Internet and Powerleader Data Service will cease to be subsidiaries of the Group, and the Company will cease to have interest in Baoteng Internet and Powerleader Data Service apart from the indirect interest through its shareholding in Zqgame.

Notes:

1. Target Assets under the Disposal.

2. Remaining Business includes the MaaS Business, part of IaaS Business and part of SaaS & PaaS Business, server business and private cloud business, please refer to pages 39 to 42 of this circular for details.

3. Zqgame is an associated company of the Group, of which the Company and Powerleader Investment hold approximately 15.24% and 27.86% of the total issued shares respectively.

Consideration

The cash consideration for the Disposal in the sum of RMB500,000,000 will be paid in instalments as follows:

(i) 25% of the consideration, being RMB125,000,000, had been paid within 3 Business Days after the signing of the Agreement;

(ii) 26% of the consideration, being RMB130,000,000, shall be paid within 30 days after the Completion; and

(iii) the balance of the consideration, being RMB245,000,000 shall be paid in three annual instalments.

At the end of each of the years 2017, 2018 and 2019, a registered accountant, as agreed by the Company and Zqgame, will perform audit of the actual net profit of Baoteng Internet for the relevant year and issue an audit report. Within 30 days after the issue of such audit report in each of 2017 and 2018, Zqgame will pay a portion of the consideration which is calculated by:

> (the actual net profit of Baoteng Internet for the corresponding year ÷ the total guaranteed net profit attributable to the shareholders of Baoteng Internet to be generated in the ordinary and usual course of business after deducting extraordinary items during the Compensation Period) x 49% x total consideration of the Disposal

The above means that if Baoteng Internet incurs loss in any of the years in 2017 and 2018, Zqgame will not pay the corresponding portion of consideration of that year. Within 30 days after the issue of the audit report for 2019, Zqgame will pay the balance of the remaining portion of the consideration (if any) to the Company.

The settlement term of the consideration was agreed by the Company and Zqgame after considering the precedents of other asset disposals that were disclosed in the Shenzhen Stock Exchange The earlier Baoteng Internet reaches the total guaranteed net profit, the earlier the Company will receive the balance of the consideration in full. The settlement term was determined with reference to the anticipated net profits to be achieved by Baoteng Internet for the three years from 2017 to 2019 as contained in the valuation report of Baoteng Internet. When considering the settlement term of the consideration, the Board made reference to a case of acquisition of IDC business by a company which is listed in the Shanghai Stock Exchange. The Board considered two aspects in the settlement term of such case, namely (a) payment being made by installment; and (b) the installment payments to be made with reference to the actual net profit achieved by the target companies as compared to guaranteed net profit of the target companies over three years. The basis of such settlement term had taken into account the valuation by income approach of the target companies, and the income approach was based on the profitability of the target companies in the coming three years. Since the target companies were expected to earn more profit in the coming three years, the valuation resulted in a higher appraisal value of the target companies, and the consideration which was based on the appraisal value of the target companies was also of a higher amount. The settlement term of the Disposal is similar to such case.

The Company was able to commercially negotiate with Zqgame a high consideration of the Disposal with reference to the Valuation which is at a high appraisal value based on the anticipated net profits to be achieved by Baoteng Internet for the three years from 2017 to 2019, and such three years settlement term matches up with the anticipated net profit for the three years from 2017 to 2019. The settlement term by installments with reference to the level of profits of Baoteng Internet is one of the reasons that Zqgame agreed to such consideration for the Disposal. Since the Company does not have an urgent need of cash for its operations, by comparing the capital needs of the Group against the high return on investment from the Disposal, the Company considers that the three-year settlement term in return for a high consideration is to the benefit of the Company. Under the Disposal, the Company will have already received 51% of the consideration by the time of Completion, and the Board considers that it is reasonable to receive the balance of the consideration by installments based on the actual net profit achieved by Baoteng Internet. Based on the aforesaid, the Board considers that the settlement term of the consideration is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

The maximum and minimum amounts of the consideration, subject to the guarantee adjustments (details of which are disclosed under the section headed "5. Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement)" in this circular), to be received from 2016 to 2019 are illustrated as follows:

Year	**Maximum amounts**	**Minimum amounts**
2016	RMB125 million	RMB125 million
2017 *(note 1)*	RMB130 million	RMB130 million
2018	RMB245 million *(note 2)*	RMB0 *(note 3)*
2019	RMB245 million *(note 2)*	RMB0 *(note 3)*
2020	RMB245 million *(note 4)*	RMB0 *(note 5)*

Notes:

1. The Company will receive RMB130 million, the second installment of the consideration, if the Completion takes place in 2017.

2. If Baoteng Internet achieves net profit of RMB110,361,605.80 in 2017 or 2018, the Company will receive RMB245 million in 2018 or 2019 respectively.

3. If Baoteng Internet records a loss in 2017 or 2018, the Company will not receive any corresponding portion of consideration in 2018 or 2019.

4. If there remains any portion of consideration unpaid, the Company will receive the balance of consideration in 2020 after the issue audit report of Baoteng Internet for 2019.

5. If the Company can achieve the total guarantee net profit in either 2017 or 2018, it will not receive any consideration in 2020 because it would have already received the balance of the consideration in full earlier.

Basis of Consideration

The consideration of the Disposal was arrived at after commercial and arm's length negotiations between the Group and Zqgame and was determined with reference to the valuation of the entire shareholders' interest in Baoteng Internet at RMB501,660,100 as at the Benchmark Date by the Valuer using the income approach, the text of which is set out in Appendix III of this circular.

Selection of valuer by the Company

After the first meeting held between the Company and Zqgame on 3 June 2016 regarding the Disposal, the Company began to prepare the valuation work for its Shenzhen IDC Business, the Company approached three valuers with experience and qualification for valuating IDC business. From the interview with the Valuer, the Company noted that the Valuer has been engaged in various overseas merger & acquisition transactions in 11 countries and regions including Hong Kong, Australia, Germany, the United States, the Netherlands, Gabon, Slovenia, Italy, Austria, France, Mongolia and Kyrgyzstan. The Valuer was involved in numerous projects including the share transfer of Zhongwei Prefabricated Concrete Products Co., Ltd. (an associated company of China Resources Cement Holding (Stock Code: 1313, Stock Exchange)), the valuation of the equity interest in Hong Kong Wan Hsin Garment Company Limited regarding its disposal by China Resources Textiles (Group) Co., Ltd., the valuation of France Provence Foods Limited regarding its capital increase, the valuation of Australia Tully Sugar Limited regarding its asset reorganization, the valuation of the equity interest in Cytovance Biologics, Inc. and SPL Acquisition Corp. regarding its acquisition by Shenzhen Hepalink Pharmaceutical Holding Co. Ltd. (002399, Shenzhen Stock Exchange), the valuation of the equity interest in Swann Communications Pty Ltd. regarding its acquisition by Shenzhen Infinova Technology Holding Co. Ltd. (002528, Shenzhen Stock Exchange), and the valuation of China Merchants New Energy Group Co. Ltd. regarding its capital increase by China Merchant Technology Group Co. Ltd. Recently, the Valuer was involved in the merger and acquisition and reorganization projects for Shanghai Huayuan Enterprise Development Co., Ltd* (上海華源企業發展股份有限公司) and Chongqing Dima Industry Co., Ltd. (600565, Shanghai Stock Exchange).The Valuer's clientele includes a number of listed companies in Hong Kong, which includes, Up Energy Development Group Limited (Stock Code: 307, Stock Exchange), Xinjiang Goldwind Science & Technology Co., Ltd. (Stock Code: 2208, Stock Exchange), China National Building Material Company Limited (Stock Code: 3323, Stock Exchange), China Mengniu Dairy Company Limited (Stock Code: 2319, Stock Exchange), COFCO Group and China Resources. After considering the Valuer's track record and experience on an international level and its broad range of PRC, Hong Kong as well as international clientele, the Board decided to choose Vocation (Beijing) International Assets Appraisal Co., Ltd. as the independent valuer to be engaged for the purpose of the Disposal. At the second meeting held between the Company and Zqgame on 8 June 2016, the Company and Zqgame agreed that the valuer's fees will be borne by Zqgame, and therefore Zqgame would engage Vocation (Beijing) International Assets Appraisal Co., Ltd. as the independent valuer for the purpose of the Disposal.

Professional qualification and biography of the Valuer

The Valuer is a member of the China Appraisal Society ("**CAS**") and professionally qualified independent valuer in the PRC. The Valuer is qualified to perform valuations in relations to securities and futures, land and properties in the

PRC. From time to time the Valuer has been engaged to perform valuation for listed companies in Hong Kong and in the PRC in relation to mergers and acquisitions and asset reorganization.

CAS was established in December 1993. It is a voluntary organization in the PRC established by the asset valuation industry, and is subject to the guidance and supervision of the Finance Department and the Civil Administration Department in the PRC.

The major responsibilities of CAS includes the studying and drafting of rules, regulations and standards related to the asset valuation industry after being authorized or appointed by the financial regulatory organizations, to issue its audit opinion in relation to the establishment of asset valuation organizations in the PRC and foreign asset valuation organization's branch offices in the PRC and to review the quality and quantity of valuers and asset valuation organizations in practice.

In 1995, after receiving the approval from PRC's Foreign Ministry, CAS represented PRC's asset valuation industry and joined the International Valuation Standard Committee. In 1999, CAS was elected as the executive director of the International Valuation Standard Committee, and was appointed as a member of the professional technology committee. In 2005, CAS joined the World Valuation Organization Joint Committee and became its executive director. From 2012 to 2016, members of the CAS attended various international conferences in the first quarter of 2014 and 2016.

In view of the missions and responsibilities of CAS since its establishment and its influence in the international business appraisal and valuation industry, the Company is of the view that CAS is an internationally recognized professional body in business appraisal and valuation.

After considering the above factors, the Company is of the opinion the Valuer is capable of carrying out valuations on corporate merger and acquisitions such as the Disposal.

Mr. Deng Chunhui ("**Mr. Deng**"), the person-in-charge of the Valuation, is a partner at the Valuer, and is the person-in-charge of the Valuer's Shenzhen branch office. Mr. Deng has been a registered asset valuer in the PRC since 31 December 1998, and a registered accountant (non-practicing member) in the PRC.

Mr. Deng was involved in auditing and valuation work for over 19 years, and was the asset valuer for companies including Hunan New Wellful Co Ltd (600975, Shanghai Stock Exchange), Shenzhen Infinova Ltd (002528, Shenzhen Stock Exchange) and Shenzhen Ysstech Info-tech Co Ltd (300377, Shenzhen Stock Exchange) when they underwent share reform; and has provided valuation services for various listed companies including the COFCO Group, China Resources Corporation and China Merchants Group.

Ms. Liu Guiyun ("**Ms. Liu**"), who was responsible for reviewing the Valuation, is a project manager at the Valuer's Shenzhen branch office. Ms. Liu has been a registered asset valuer in the PRC since 27 December 2001, a registered accountant (non-practicing member) in the PRC, and a cost engineer.

Ms. Liu was involved in auditing and valuation work for over 16 years. Major valuation projects handled by Ms. Liu in recent years include China Resources Sanjiu Medical & Pharmaceutical Co Ltd's (000999, Shenzhen Stock Exchange) acquisition project, the valuation of PCI-Suntek Technology Co Ltd.'s (600728, Shanghai Stock Exchange) major asset reorganization and the valuation of Shenzhen China Merchants Technology Investment Co., Limited's investment project.

Hence, the Board considered that Mr. Deng and Ms. Liu have the requisite professional knowledge in the finance and valuation field, and are experienced in handling the valuation work for mergers and acquisitions.

To the best of the knowledge of the Company, having made all reasonable enquiries, the Valuer is independent of both the Company and Zqgame and does not have any conflict of interest with the Company in relation to the Disposal. Therefore, the Board is of the view that Valuer is properly qualified to carry out the Valuation.

The Group provided various information regarding Baoteng Internet to the Valuer for the purpose of the valuation, such as corporate information, audited financial statements, assets ownership information, statistical information relating to business operations, material contracts, profit forecasts, etc. The Company also discussed with the Valuer on the valuation and had reviewed the assumptions of the valuation and the different valuation methods. The Company considered and noted that:

— the valuation report was prepared in accordance with the relevant rules and regulations in the PRC, followed the prevailing market practice and standards, was conducted based on the actual situation of Baoteng Internet, and the assumptions used in the valuation are reasonable;

— the scope of the valuation is identical to the scope of the engagement, and the Valuer carried out the necessary valuation procedures in preparing the Valuation, complied with the principles of independence, objectiveness and fairness, referred to reliable data and information, and adopted an appropriate valuation method.

Therefore, the Board considers the Valuation has properly reflected the value of Baoteng Internet. It is reasonable for the Valuer to be engaged by Zqgame being the purchaser under the Disposal as part of its due diligence. Though the Valuer was engaged by Zqgame in relation to the Disposal, in view of the independence of the Valuer and the carrying out of the Valuation as referred to above, the Board considers the Valuation as the basis of the consideration is fair and reasonable and in the interest of the Company and the Independent Shareholders.

The Company had reviewed different valuation methods in the Valuation. Based on the information provided by the Company, macro-economic situation the development prospect of the IDC Business industry, the continuous development and business operations of Baoteng Internet, the applicable valuation approaches are asset-based approach and income approach.

The asset-based approach is based on the balance sheet of Baoteng Internet which took into account the fair value of assets and liabilities. The Company considers that the asset-based approach is an indirect method which only reflects the replacement value of the existing assets of Baoteng Internet but the capability of the assets and liabilities of Baoteng Internet as a whole to generate profit and the goodwill of Baoteng Internet are not reflected in the valuation result.

The income approach is based on future profitability of Baoteng Internet, which took into account the profit forecast of Baoteng Internet provided by the Company. It took into account factors such as production technology, research and development capabilities, asset status, operation and management, customer relationship, etc. The 1st phase of the data centre rooms of the Shenzhen IDC Business reached its full capacity in August 2016 and the 2nd phase of the data centre rooms of the Shenzhen IDC Business is expected to reach its full capacity in July 2017. Therefore, as at the Benchmark Date, the asset value of Baoteng Internet could fully reflect the profit expected to be generated from Shenzhen IDC Business which the Company expects will achieve a year-over-year increase. Further, as at the Benchmark Date, Baoteng Internet also started developing operation and maintenance outsourcing business and IDC cloud project, which the Company expects would achieve profit growth given the current IDC Business market conditions. The Company considers that the income approach can reflect the comprehensive value of Baoteng Internet, is most capable of reflecting the future profitability of Baoteng Internet, and thus the most convincing valuation method. The amount of the consideration for the Disposal is approximately equal to the aforesaid valuation.

The Valuation is valid for 1 year after the Benchmark Date (i.e. till 29 June 2017 (the "**Expiry Date**")), and its results can be taken as valid reference if the purpose for which it was carried out is completed by the Expiry Date. The Company expected that the Disposal would be completed in the first half of 2017 which is within one year after the Benchmark Date. Therefore, the Board considers that the adopting the Valuation as the basis of consideration of the Disposal is fair and reasonable and in the interests of the Company and Independent Shareholders.

The Board had also considered some recent cases in relation to acquisition and disposal of IDC Business in the PRC and analysed the price-earnings ratios and price-to-book ratios. In those cases, the price-earnings ratios ranges from 14.00 to 19.48 and the price-to-book ratio ranges from 3.33 to 23.08, while the price-earnings ratio and price-to-book ratio of the Disposal are 18.13 and 4.25 respectively. In view that the price-earnings ratio and price-to-book ratio of the Disposal are within the normal market range of similar transactions, the Board considers that the consideration of the Disposal and its basis are fair and reasonable and in the interests of the Company and the Independent Shareholders.

As the Valuation was prepared using the income approach, it is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules. The following are the details of the principal assumptions, including commercial assumptions, upon which the valuation report was based:

(i) General Assumptions

1. there is no material change in the current relevant laws, regulations and policies in the PRC;

2. there is no material change in the macroeconomic situation policies of the PRC and the basic policies related to the industry;

3. there is no material change in current bank interest rates, exchange rates, taxation policies and etc. in the PRC;

4. under the circumstances where the title to the ownership of Baoteng Internet is certain, Baoteng Internet will maintain its operations as a prerequisite;

5. there is no material change in the business model of Baoteng Internet;

6. there is no material change in the accounting policies and accounting methods of Baoteng Internet;

7. there is no material change in the political, economic and social environment in the location where Baoteng Internet situates;

8. there is no material change in the macro-environment of the industry and basic policies in the industry which Baoteng Internet operates in, which means that the sales market will not have a sharp decline due to the change in the macro-environment or the sales market will not shrink due to intervention policy;

9. there are no other force majeure events or unforeseeable factors that result in other significant impact to Baoteng Internet and the external environment;

10. the general information, ownership information, policy documents and other relevant documents relating to the business operations of Zqgame and Baoteng Internet are assumed to be true and valid; the assets and liabilities within the scope of valuation are assumed to be true and complete, there are no defects in their title and ownerships and there is no other restriction in transaction matters; and

11. the continued use of assets is assumed, which means the assets being assessed will continue with their existing use, the conditions of use such as manner, scale, frequency and environmental conditions are legal, and the assets will be used continuously and effectively within the foreseeable period of use, without any significant change.

(ii) Special Assumptions

1. Baoteng Internet complies with all the relevant laws and regulations in the PRC, and there will be no material non-compliance which will affect its development and revenue;

2. the purchase, acquisition and construction process of Baoteng Internet's assets are assumed to be in compliance with all the relevant laws and regulations in the PRC;

3. there will be no major change in the senior management and the research & development staff involved in Baoteng Internet's business which is in the scope of valuation, and Baoteng Internet will continue to operate based on its current model;

4. Baoteng Internet is assumed that it will not experience material difficulties in collecting receivables (i.e. bad debts);

5. Baoteng Internet is assumed to be not facing any serious technical failure which will affect it from continuing to use its tangible assets, and it is assumed that its key components and materials do not face any potential material defects in terms of quality and quantity;

6. in the foreseeable operating period, the non-recurring profit/loss that Baoteng Internet may encounter, including but not limited to the disposal of long term equity investment, fixed assets, construction-in-progress, intangible assets, the profit/loss of other long-term investments, and non-operating income are not taken into consideration;

7. the cash flow to equity of Baoteng Internet is generated during the interim period of each projection period;

8. the data in relation to Baoteng Internet's future income projections (cash flow projections) is provided by Baoteng Internet's senior management, and they shall bear the responsibility. The valuer's responsibility is to conduct reasonable analysis and judgment based on the aforementioned projections, and taking into account factors such as the operation status, development plans and resource allocation of Baoteng Internet. The valuer's analysis should not be treated as a guarantee regarding the achievability of the future income projection (cash flow projection); and

9. Baoteng Internet's Shenzhen IDC Business and the Value-added Cloud Services Business are transferred from the Company to Baoteng Internet. Being a "High and New Technology Enterprise", the Company enjoys a preferential income tax rate of 15%. After the transfer of the Subject Assets, Baoteng Internet will apply for the qualification of "High and New Technology Enterprise". According to the feasibility analysis of the application to be a "High and New Technology Enterprise" provided by Baoteng Internet, the valuation is based on the assumption that Baoteng Internet possesses the "High and New Technology Enterprise" qualification and enjoys the preferential income tax rate of 15% in 2017. From 2017 and onwards, the valuation was conducted based on the income tax rate of 15%.

The Board considers the above assumption used for the Valuation to be appropriate for the Disposal, in view of the nature of business and the operations of Baoteng Internet.

A letter from ShineWing Certified Public Accountants (Special General Partnership), the reporting accountant of the Company, confirming that it has reviewed the accounting policies and calculations for the profit forecast, is set out in Appendix II to this circular. A letter from the Board, confirming that it has made the profit forecast after due and careful enquiry, is also set out in Appendix II to this circular.

Taking Effect of the Agreement

The Agreement shall take effect subject to the fulfillment of the following conditions (the effective date being the date of fulfillment of the last of these conditions):

(a) the approval of the Disposal by the board of directors and shareholders of Zqgame;

(b) the approval of the Disposal by the Board and Shareholders;

(c) the approval of or agreement to the Disposal by the Shenzhen Stock Exchange and other competent authorities (if necessary); and

(d) the Company having complied with requirements under applicable laws, rules and regulations in relation to the Disposal, including the requirement of sufficient level of operations or assets to warrant the continued listing of its shares under Rule 17.26 of the GEM Listing Rules (if necessary).

None of the above conditions is waivable by the Company or Zqgame. There are no conditions precedent to the Completion, but Completion will not take place if the above conditions for taking effect of the Agreement are not fulfilled.

The Company and Zqgame have agreed that if the Agreement fails to take effect, the Company will refund to Zqgame the portion of the consideration received from Zqgame plus bank interest over the same period, which is calculated by the benchmark interest rate of the People's Bank of China quoted at the time of payment of such portion of consideration by Zqgame raised by 10%, i.e. the Company will refund to Zqgame the portion of consideration plus an interest at the interest rate of 4.785%. Interest on bank loans obtained by the Group are determined with reference to the benchmark interest rate of the People's Bank of China with 10% to 20% premium, i.e. 4.785% to 5.22%. The first instalment of the consideration of the Disposal of RMB125,000,000 which was paid by Zqgame within 3 Business Days after the signing of the Agreement has been used as operating cashflow of the Group, which the Group would otherwise have to obtain by way of bank loans. Since the calculation of bank interest on the portion of the consideration for the refund to Zqgame uses 10% premium over the benchmark interest rate of the People's Bank of China is at the lowest rate among the bank lending interest rates obtained by the Group, the Board therefore considers that such bank interest is on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders.

Completion

Completion shall take place on a date to be agreed by the Company and Zqgame after the above conditions of the Agreement have been fulfilled.

Profit and Loss of Baoteng Internet during the Relevant Period

The Company and Zqgame further agreed that:

1. During the Relevant Period, Baoteng Internet will not declare any dividends;

2. During the Relevant Period, apart from the costs and taxes payable regarding the Disposal which shall be borne by the Company and/or Zqgame according to the law or as agreed, the profits of Baoteng Internet will belong to Zqgame and the Company will compensate Zqgame in cash for the loss from the operation of Baoteng Internet; and

3. Within 30 Business Days after the date of Completion, an accountancy firm with securities business qualification as recognized by the Company and Zqgame, will perform audit on Baoteng Internet for the Relevant Period and shall issue an audit report as confirmation.

4. NON-COMPETITION UNDERTAKINGS

Background

As at 1 September 2016, the Company and Powerleader Investment respectively held approximately 15.24% and 27.28% of Zqgame's total issued shares, and the ultimate controlling shareholders of the Company and Powerleader Investment are Madam Zhang Yunxia and Mr. Li Ruijie. Therefore, the Company, Powerleader Investment, Madam Zhang Yunxia and Mr. Li Ruijie are considered as connected parties or parties acting in concert with respect to Zqgame under relevant PRC regulation. Hence, the Company is also categorized as one of Zqgame's controlling shareholders.

Given that the transaction for the Disposal was entered into with Zqgame, certain provisions applicable to a company listed on the Shenzhen Stock Exchange in the Standardized Operational Guideline for Listed Companies on the Chinext of the Shenzhen Stock Exchange (amended in 2015) need to be observed:

— Provision 2.1.9 stipulates that the listed company's business shall be totally independent from its controlling shareholder, de facto controller and their related parties. The controlling shareholder and entities controlled by them shall not engage in the same or similar lines of business of the listed company.

— Provision 4.2.10 stipulates that the controlling shareholder, de facto controller and other enterprises controlled by them shall ensure the independence of the listed company's business, and they shall not affect the independence of the listed company's business by competing with the listed company in similar business.

According to the above rules, regulations and requirements of PRC, there should not be any competing business interests between a company listed on the Shenzhen Stock Exchange and its controlling shareholders. If such competing interests exist, they are usually resolved through sorting out and making adjustments to the parties' businesses. It is a common practice in PRC corporate disposals involving listed issuers for the vendor to provide a non-competition undertaking to the purchaser. Given that after the Completion Zqgame will carry on the Shenzhen IDC Business, while the Group will continue to run the Guangzhou IDC Business and Speedtop is engaged in the business of resale of internet date center services, a non-competition undertaking by the controlling shareholders of Zqgame is necessary in order for the Disposal to comply with the requirements of the Shenzhen Stock Exchange.

The Non-Competition Undertakings

Based on the above regulatory requirements and reasons, Mr. Li Ruijie, Madam Zhang Yunxia, Powerleader Investment, the Company and Speedtop executed the Non-Competition Undertakings on 1 September 2016 as detailed below:

The Company Undertakings

The Company has undertaken that with respect to the Guangzhou IDC Business, after the Completion and when the conditions for Guangzhou IDC Business to be injected into Zqgame are met and when there are no actual obstacles to such injection, the Company may carry out negotiations with Zqgame and after reaching and entering into formal agreements inject the Guangzhou IDC Business into Zqgame; and the Company may also terminate the Guangzhou IDC Business or transfer it to an unrelated third party to resolve the competition issue.

The Company has also undertaken that save that the Group may continue to operate the Guangzhou IDC Business, after the Completion and during the time when it remains to be a controlling shareholder of Zqgame (the Company is categorized as a controlling shareholder of Zqgame as mentioned above), it shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

The Speedtop Undertakings

As Speedtop (which is owned by Powerleader Investment and Madam Zhang Yunxia as to 50% each) holds the business qualifications licence to carry on IDC Business, Powerleader Investment, Mr. Li Ruijie, Madam Zhang Yunxia and Speedtop have undertaken that Speedtop will not carry out IDC Business other than in cooperation with Zqgame, and the revenue of Speedtop in relation to IDC Business (apart from the portion necessary for daily operations) shall belong to Zqgame, and when the conditions for Speedtop to be injected into Zqgame are met and when there are no actual obstacles to such injection, Speedtop will be injected into Zqgame through methods such as acquisition by cash or assets reorganisation. Powerleader Investment, Mr. Li Ruijie, Madam Zhang Yunxia and Speedtop have also undertaken that within 3 years after the Completion, if the competition issue has not been resolved and Zqgame has no intention to acquire Speedtop, Speedtop will terminate its IDC Business or transfer it to an unrelated third party to resolve the competition issue.

Each of Powerleader Investment, Madam Zhang Yunxia and Mr. Li Ruijie has also undertaken that save for the above, after the Completion and during the time when it/he/she remains to be the controlling shareholder(s) or the de facto controller(s) of Zqgame, it/he/she shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

5. PROFIT GUARANTEE COMPENSATION AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT TO THE PROFIT GUARANTEE COMPENSATION AGREEMENT)

Profit Guarantee Compensation Agreement

Date

1 September 2016

Parties

(1) The Company

(2) Zqgame

Profit Guarantee

The Company guaranteed to Zqgame that the audited net profit attributable to shareholders of Baoteng Internet to be generated in the ordinary and usual course of business after deducting extraordinary items in the consolidated accounts for the financial years ending 31 December 2017, 2018 and 2019 in aggregate will not be lower than RMB110,361,605.80. The guaranteed net profit amounts during the Compensation Period were determined with reference to the total of the anticipated net profit attributable to shareholders of Baoteng Internet to be generated by the ordinary and usual course of business after deducting extraordinary items in its consolidated accounts for the years 2017, 2018 and 2019, being RMB27,579,018.18, RMB38,135,891.38, RMB44,646,696.25 respectively as contained in the valuation of Baoteng Internet using the income approach. The income approach assesses an entity's value through analysing its future earning capacity, and it takes into account factors such as production technology, research & development, asset conditions, operation & management, relationship with clients and long-term contracts of Baoteng Internet.

Profit Guarantee Compensation

Pursuant to the Profit Guarantee Compensation Agreement, a registered accountant, as agreed by the Company and Zqgame, will perform audit of Baoteng Internet at the end of the Compensation Period in accordance with the China Accounting Standards for Business Enterprises (which is the accounting standards adopted by the Company for its consolidated financial statements). If based on the audit report the actual net profit of Baoteng Internet cannot achieve the guaranteed net profit at the end of the Compensation Period, the Company will pay the Profit Guarantee Compensation in cash to Zqgame which is calculated as follows:

(the guaranteed net profit during the Compensation Period – the actual cumulative net profit as at the end of the Compensation Period) ÷ the guaranteed net profit during the Compensation Period × the total consideration of the Disposal

Asset Impairment Compensation

At the end of the Compensation Period, an accountancy firm with securities business qualification as recognized by the Company and Zqgame will perform an asset impairment test on Baoteng Internet for the Compensation Period in accordance with the China Accounting Standards for Business Enterprises and issue its audit opinion. If the amount of asset impairment of Baoteng Internet at the end of the Compensation Period is larger than the total Profit Guarantee Compensation paid by the Company, the Company will be required to pay the Asset Impairment Compensation in cash to Zqgame in addition to the Profit Guarantee Compensation which is calculated by:

> the amount of asset impairment of Baoteng Internet as at the end of the Compensation Period – the cash compensation amount previously paid under the Profit Guarantee Compensation.

The amount of asset impairment as at the end of the Compensation Period shall be arrived at by the consideration of the Disposal net of the appraised value of the Subject Assets at the end of the Compensation Period, not taking into account any capital increase and/or reduction, donations received and profits distribution in Baoteng Internet during the Compensation Period.

If however the actual net profit of Baoteng Internet achieves or exceeds the guaranteed net profit during the Compensation Period, the Company will not be required to pay the Asset Impairment Compensation to Zqgame.

Each of the Profit Guarantee Compensation and/or Asset Impairment Compensation amounts can be offset with the consideration receivable under the Disposal.

Supplemental Agreement to the Profit Guarantee Compensation Agreement

On 1 March 2017, the Company, Zqgame, Mr. Li Ruijie and Ms. Zhang Yunxia entered into the Supplemental Agreement to the Profit Guarantee Compensation Agreement, pursuant to which the parties agreed the maximum amount of the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company will not be more than RMB110,361,605.80, and the portion of the Profit Guarantee Compensation and the Asset Impairment Compensation in excess of such limit will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia, who together indirectly hold 42.05% interest in the Company.

The Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) will take effect on the same day as the taking effect of the Agreement, which is conditional upon, among others, approval by the Shareholders.

The Company made reference to the relevant rules and regulations of the CSRC of similar transactions for companies listed in the Shenzhen Stock Exchange that adopted income approach in the valuation of the target assets, and came to the understanding that it is common market practice and the minimum requirements of the CSRC to have a profit guarantee arrangement for transactions similar in nature to the Disposal. The Company thus considers that in order to enter into transactions of such nature with companies listed in the Shenzhen Stock Exchange which tends to have a high valuation on the target assets, it is a usual commercial term to have the Profit Guarantee Compensation as part of the terms of the Disposal.

The Board considers that the amount of Profit Guarantee Compensation (if any) is to make up to Zqgame the unrealized profits of Baoteng Internet, and the length of the Compensation Period corresponds to the period of the profit guarantee given by the Company. The nature of such compensation arrangement came from the basis that the consideration of the Disposal, subject to the Compensation Period for its settlement and downward adjustment, reflects the value of Baoteng Internet after considering expected growth and future profitability of Baoteng Internet.

The consideration of the Disposal was determined with reference to the valuation of Baoteng Internet using income approach and such consideration based on the appraised value has a certain premium. In particular, the Company has invested RMB181.3 million into Baoteng Internet, while the consideration of the Disposal is RMB500 million which represents a substantial premium on the investment costs in Baoteng Internet. Based on usual terms adopted in asset acquisition connected transactions of companies listed on the Shenzhen Stock Exchange, asset impairment compensation is required in order to comply with the relevant rules and regulations of the CSRC. Considering that impairment in the value of Baoteng Internet may occur in the future, the Company agreed with Zqgame on the terms for the Asset Impairment Compensation, under which the Company will only need to make such compensation if the amount of asset impairment of Baoteng Internet is greater than total compensation amount paid under the Profit Guarantee Compensation.

The Group is disposing of Baoteng Internet at a consideration based on a valuation according to estimated net profit of Baoteng Internet (for which the Company has to provide a guarantee), which is substantially higher than the Group's costs of investment in Baoteng Internet. If Baoteng Internet cannot meet the guaranteed net profit as referred to above, that would mean Baoteng Internet cannot bring the value which formed the underlying basis of the consideration for the Disposal.

The Company has also considered the following scenarios regarding the profit guarantee and possible impact on the contingent liabilities of the Company:

1. Assuming that the actual net profit of Baoteng Internet achieves an amount equal or more than RMB110,361,605.80 by the end of the Compensation Period, the Company will not be required to make compensation to Zqgame.

2. Assuming that the actual net profit of Baoteng Internet achieves an amount equal to or more than RMB86,002,237.73 but less than RMB110,361,605.80 by the end of the Compensation Period, the Company will make a

compensation to Zqgame of an amount not exceeding RMB110,361,605.80. The contingent liabilities of the Company will increase by not more than RMB110,361,605.80.

3. Assuming that the actual net profit of Baoteng Internet achieves an amount less than RMB86,002,237.73 by the end of the Compensation Period, the Company will have to make the highest compensation to Zqgame, which will amount to RMB110,361,605.80. The contingent liabilities of the Company will increase by RMB110,361,605.80.

Therefore, the Board considers that in case the profit guarantee on Baoteng Internet is not fulfilled, the Company will record contingent liabilities of up to RMB110,361,605.80. Assuming the Company will be required to make the maximum amount of the Profit Guarantee Compensation, the return of investment from the Disposal of RMB258,925,000 is still much greater than such compensation amount. By weighing the possible impact of contingent liabilities on the Company regarding the Profit Guarantee Compensation and the return on investment from the Disposal, the Board considers that there will be a high premium on the return on investment from the Disposal even if the Company cannot fulfill the profit guarantee. From the perspective of the Company as the seller based on such commercial rationale, the Board (excluding the Independent Board Committee) considers that the terms of the Profit Guarantee Compensation and the Asset Impairment Compensation as an integral part and a settlement term of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the Company Undertakings are fair and reasonable, on normal commercial terms, and the entering into of these agreements and the transactions contemplated thereunder is in the interest of the Company and Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the Company Undertakings and the transactions contemplated thereunder.

6. REASONS FOR AND BENEFITS EXPECTED TO ACCRUE FROM THE DISPOSAL AND THE COMPANY UNDERTAKING

The Disposal

In accordance with significant development of the "Internet plus" concept in the PRC in recent years, there is a trend of mergers and acquisitions of large-scale internet data centres in the PRC. Based on the feasibility study report of Shenzhen IDC

Business during its preliminary construction stage, taking into account various assumptions and factors including the production time, the data room area, the number of cabinets, single cabinet costs, depreciation period, depreciation expense, electricity price and etc, the expected cumulative return on investments to the Group of the Shenzhen IDC Business for eight-year period from 2015 to 2022 is approximately 31.5%. The Group can have a rate of return of approximately 229.96% from the Disposal if Baoteng Internet can achieve the net profit guaranteed during the Compensation Period. The rate of return from the Disposal is calculated by net income divided by investment cost. i.e. (consideration of the Disposal of RMB500,000,000 – long-term equity investment cost of RMB9,500,000 – tax payable of RMB73,575,000) ÷ investment cost of RMB181,300,000. The Company thus considers that the Disposal presents a good opportunity for the Group to achieve a higher return on its investments through the disposal of its Shenzhen IDC Business. As the amount of the consideration for the Disposal much exceeds the Group's investment in the Shenzhen IDC Business, the return on investments of the Shenzhen IDC Business has reached the Company's expectation, and the Company can achieve a greater appreciation of its assets. Besides, after the Completion the Company will continue to share part of the profit from the Shenzhen IDC Business through its shareholding in Zqgame, without having to bear the considerable costs and expenses in operating the Shenzhen IDC Business. In view of these commercial considerations, the Company did not negotiate with other potential purchasers for the disposal of Shenzhen IDC Business.

Zqgame in operating the Shenzhen IDC Business after the Completion will need to purchase a large quantity of cloud server equipment and other component equipment for such operations. The Company is a distributor of server component products for brands including Intel and Schneider in the PRC, and other products including network interface controller, storage systems, network products, and all-in-one personal computers. It is expected that the business relationship with Zqgame after the Completion in catering for the needs of the customers of the Shenzhen IDC Business will bring a stable stream of business opportunities for the Group's MaaS Business.

In line with the direction of the Group's future development plans, the Disposal will allow the Group to focus on the development of its MaaS Business and to achieve its target of becoming China's leading cloud module business supplier. The Company will focus on developing new products and platforms for its MaaS Business in order to cover different segments of the Internet-related industry. The Company intends to gradually transform the Group into a large information technology group providing MaaS service, information technology system integration and maintenance services.

The Shenzhen IDC Business requires high capital investment and high maintenance costs and part of the initial capital put in was funded by bank loans which increased the Group's gearing ratio. The Company intends to use the net proceeds from the Disposal for repayment of bank loans used to finance the construction of the Shenzhen Internet Data Centre, to cover the operation expenses of other projects in the future and as general working capital. This will allow the Company to replenish its general working capital and improve its liquidity. The

Company expects that the Disposal will facilitate improvement to the financial structure of the Group, reduction of its financial costs and enhancement of the efficiency of the Group's resources allocation, which will lead to a significant increase in its net profit, and raise its profitability in the future.

The Company Undertakings

The Company Undertakings are necessary for the Disposal to be approved by the Shenzhen Stock Exchange, and are thus a prerequisite for the Disposal to be implemented. Accordingly such arrangement is the common market practice for companies entering to transactions with companies listed in the Shenzhen Stock Exchange with competing interests. Due to the aforesaid regulatory requirements, the Disposal cannot proceed and complete if the grant of Non-Competition Undertakings is not approved and proceed.

Apart from the aforementioned regulatory requirements, the Board has considered the trend of the IDC industry. The number of service providers in the IDC industry is increasing, the competition within the industry is keen and it is expected the IDC business market in the major cities of the PRC will become saturated within the next 5 to 7 years. The Board also took into account that huge capital investment costs and high daily maintenance costs are needed for the operation of internet data centre. As mentioned in the above section headed "Background of the Disposal — The second adjustment in June 2016", the Company made the Second Adjustment in its business plan and will focus on development in the MaaS Business. Given that the Company's development plan is to focus on the MaaS Business and move away from IDC Business, the Board does not consider that the restrictions under the Company Undertakings will have material adverse impact on the Group.

The terms of the Company Undertakings are the most favourable outcome achieved by the Company after its negotiations with Zqgame, since the Group can still operate the Guangzhou Data Centre without any other further restrictions, and follow the plans it has for the Guangzhou IDC Business. The Board expects that the Guangzhou IDC Business will generate profit for the Company within 1 to 3 years (subject to various factors such as the level of its revenue and costs and the planning for its business development).

Under the Company Undertakings, the Company will have the choice of injecting the Guangzhou IDC Business into Zqgame, terminate the Guangzhou IDC Business or transfer it to an unrelated third party. As and when the disposal of the Guangzhou IDC Business by the Company comes under contemplation, the Board will assess whether the consideration of the disposal of Guangzhou IDC Business is fair and reasonable, the gain from such disposal meets the Company's target for the return of its investments, with a view to protecting the interest of the Company and its shareholders as a whole.

In view of the above circumstances, although the Company Undertakings impose certain restrictions on the development of the Company's business, they will not affect the Company's focus on expanding its MaaS Business. The Company also considers that the right to operate the Guangzhou IDC Business in the foreseeable future and the right reserved to dispose of the Guangzhou IDC Business are to the benefit of the Company and Shareholders as a whole, as the Company may dispose of the Guangzhou IDC Business when the right opportunity comes.

Taking into account the reasons for and benefits of the Disposal, in particular, to replenish the working capital of the Group for expanding its MaaS Business and the necessity of granting the Company Undertakings as set out above, the Board considers that the Disposal and the grant of the Company Undertakings are in the interests of the Company and the Independent Shareholders.

7. USE OF PROCEEDS FROM THE DISPOSAL

The gross proceeds and net proceeds from the Disposal to be received by the Company is RMB500,000,000 and approximately RMB421,000,000 (after deducting the fees and expenses of about RMB5,000,000 and the tax payable of about RMB73,575,000) respectively. Out of the gross proceeds, the Company will use RMB221 million to repay its outstanding bank loans, RMB200 million for its general working capital, RMB5 million to pay professional fees and expenses incurred for carrying out the Disposal and RMB73,575,000 for tax expenses of the Disposal.

If the Disposal can be completed before the end of 2017, the Company will receive RMB255 million as part of the consideration of the Disposal. The Company will use RMB120 million for repayment of the Group's outstanding bank loans, including the bank loans from Ping An Bank of RMB70 million, Zhuhai China Resources Bank of RMB40 million (which will become due in August 2017) and Huaxia Bank of RMB10 million (which will become due in October 2017). As of 31 December 2016, the Group's total short-term and long-term loans amounted to approximately RMB1,251 million, of which approximately RMB894 were guaranteed borrowings, and RMB357 million were secured borrowings. During the six months ending 30 June 2017, the Group has a bank loan of RMB9 million becoming due. In the third quarter of 2017, there will be 3 bank loans of approximately RMB249 million becoming due. In the last quarter of 2017, there will be 8 bank loans of approximately RMB309 million becoming due. From 2018 to 2020, the Company expects to receive RMB245 million, being the remaining portion of the consideration of the Disposal, out of which it will use RMB101 million for the repayment of bank loans.

The remaining RMB200 million will be used by the Company for its general working capital for the operation of the MaaS Business for the years 2017 to 2020. The Company targets to position itself as the leading provider of cloud computing equipment in China, with the performance target of RMB4 billion in 2017. The Company will use RMB100 million to expand the MaaS business segment by recruiting more staff for Intel, Samsung, Shanghai Eisoo, UAV, Huawei and 20 other new product lines to enhance product sales capabilities, strengthen the level of sales services so as to provide timely and adequate support for customers and partners. The Company will use not less than RMB30 million each year from 2018 to 2020 as general working capital for its MaaS Business.

8. FINANCIAL EFFECTS OF THE DISPOSAL

Assets and liabilities

As disclosed in the 2016 Annual Report for the year ended 31 December 2016, the net asset value of the Group amounted to approximately RMB859,509,000 as at 31 December 2016. As at 31 December 2016, the Target Assets had a net asset value of approximately RMB157,171,000. As the Target Assets will be excluded from the Group's financial statements after Completion, and the Company will receive a cash inflow of RMB500,000,000.00 from the Disposal, it is expected that the net asset value of the Group will increase by approximately RMB259,754,000 after Completion. Such increase in net asset value is calculated as follows: consideration of the Disposal (RMB500,000,000) – investment cost (RMB9,500,000) – net asset value of Target Assets (approximately RMB157,171,000) – income tax payable in respect of the Disposal (RMB73,575,000).

As disclosed in the 2016 Annual Report, the Group had total liabilities of approximately RMB1,931,301,000 as at 31 December 2016. The Target Assets recorded total liabilities of approximately RMB24,686,000 as at 31 December 2016. After the Completion, the liabilities of the Target Assets will be excluded from the Group's financial statements, and the tax payable in relation to the Disposal will be approximately RMB73,575,000.00. It is expected that the total liabilities of the Group will decrease by approximately 1.28%. Such percentage decrease is calculated as follows: Total liabilities of the Target Assets (approximately RMB24,686,000) ÷ Total liabilities of the Group (approximately RMB1,931,301,000) x 100%.

Earnings

As disclosed in the 2016 Annual Report, for the year ended 31 December 2016, the Group recorded a net profit attributable to shareholders of the Company of approximately RMB33,356,000. For the year ended 31 December 2016, the Target Assets recorded a net profit attributable to shareholders of the Company of approximately RMB13,379,000. After the Completion, the net profit attributable to shareholders of the Company contributed by the Target Assets will be excluded from the Group's financial statements, the Disposal will result in an income investment of RMB500,000,000.00. The long-term equity investment cost of the Group to the Disposal is RMB9,500,000.00 and its reserve for profit tax is RMB73,575,000.00 (calculated based on the 15% corporate income tax rate of the Company)

The 5-year profit forecast (starting from 1 January 2017) for the Target Assets is approximately RMB215,386,000. After taking into account the effect of the Disposal on the Group, the net profit attributable to Shareholders will increase by approximately RMB201,539,000, which is an increase of approximately 604.21%, as compared to the net profit of the Group disclosed in the 2016 Annual Report. According to the accounting standards and requirements in PRC, the total consideration of the Disposal as return of investment will be recognized in one-off after the Completion, and not according to the time when the instalments of consideration are received.

9. INFORMATION ON BAOTENG INTERNET

Baoteng Internet is a company incorporated in the PRC with limited liability and has a registered capital of RMB10,000,000. The equity interests in Baoteng Internet is owned as to 100% by the Company before the Completion.

The business scope of Baoteng Internet covers information technology products, communication technology products, consumer electronics and research & development and sales of the software and hardware of Internet technology products, as well as property management.

The audited net assets of Baoteng Internet, based on PRC accounting standards, was approximately RMB4,669,000 as at 31 December 2016.

The following is the financial information of Baoteng Internet for the years ended 31 December 2016 (audited) and 31 December 2015 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	**For the year ended 31 December 2015 (audited)**
Net profits before taxation	approximately RMB(3,657,000)	approximately RMB(163,000)
Net profit after taxation	approximately RMB(3,657,000)	approximately RMB(163,000)

Baoteng Internet will cease to be a subsidiary of the Group upon the Completion and its financial results will cease to be consolidated into the Group's financial results.

The audited net assets of the Target Assets, based on PRC accounting standards, was approximately RMB157,170,000 as at 31 December 2016.

The following is the financial information of the Target Assets for the years ended 31 December 2016 (audited) and 31 December 2015 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)
Net profits before taxation	approximately RMB17,838,000	approximately RMB1,046,000
Net profit after taxation	approximately RMB13,379,000	approximately RMB677,000

10. INFORMATION ON POWERLEADER DATA SERVICE

Powerleader Data Service is a company incorporated in the PRC with limited liability and has a registered capital of RMB10,000,000. The equity interests in Powerleader Data Service is owned as to 100% by Baoteng Internet.

The business scope of Powerleader Data Service is data technology, computer hardware and software, network technology including technology development, technical consulting, technology transfer and technical services.

Powerleader Data Service was incorporated in May 2016, the audited net assets of Powerleader Data Service, based on PRC accounting standards, was RMB0 as at 31 December 2016.

The following is the financial information of Powerleader Data Service for the years ended 31 December 2016 (audited) and 31 December 2015 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)
Net profits before taxation	RMB0	RMB0
Net profits after taxation	RMB0	RMB0

Powerleader Data Service will cease to be a subsidiary of the Group upon the Completion and its financial results will cease to be consolidated into the Group's financial statements.

11. INFORMATION ON THE GROUP AND ZQGAME

The Group

The principal business of the Group is the provision of cloud computing products and related solutions and services, which mainly includes (i) Cloud Infrastructure as a Service(IaaS) — comprising provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) Cloud Module as a Service (MaaS) — comprising research and development, design, manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) Software as a Service and Platform as a Service (SaaS and PaaS) — comprising development of cloud computing software and platforms and provision of related services.

Zqgame

Zqgame was established in July 2003 and became listed on the Shenzhen Stock Exchange in February 2010 (Stock Code: 300052). The Company holds an approximately 15.24% shareholding in Zqgame, which makes Zqgame its associated company. The main operating businesses carried on by Zqgame as at the Latest Practicable Date are the development and operation of online games. Zqgame faces rapid development and intensified competition in the gaming industry, it is constantly strengthening its research and development in new games and focuses on creating quality products to satisfy the market demand. In 2016, Zqgame developed a variety of new high quality mobile gaming products in the music and leisure segment and action role playing game (ARPG) segment, the massively multiplayer online role-playing games (MMORPG) which are high quality webpage gaming products developed by Zqgame maintained good profitability and operations in 2016. Zqgame extended its business scope to the multi-entertainment segment in 2016 which include cultural creativity, cultural tourism and innovative technology applications.

As at 31 December 2016, based on PRC accounting standards, the audited net assets of Zqgame was approximately RMB976,201,000, the audited total assets of Zqgame was approximately RMB1,104,820,000, and for the year ended 31 December 2016 the operating income of Zqgame was approximately RMB321,348,000 and the net loss of Zqgame was approximately RMB65,575,000.

12. INFORMATION ON THE REMAINING BUSINESS OF THE GROUP AND ITS FUTURE PROSPECTS

The remaining business of the Group

After the completion of the implementation of the Disposal, the Group will retain the MaaS Business, part of IaaS Business and part of SaaS & PaaS Business, server business and private cloud business (the "**Remaining Business**"). Please see below the classification of the Group's businesses under the Disposal and the Remaining Business.

Category	Business	Classification
The Disposal	Shenzhen IDC Business	SaaS and PaaS Business
	Value-added Cloud Services Business	SaaS and PaaS Business
Remaining Business	Distribution Business	MaaS Business
	CDN Business	SaaS and PaaS Business
	Guangzhou IDC Business	SaaS and PaaS Business
	Reselling of Fujitsu's products in Hong Kong (ceased operations in 2016)	IaaS Business
	Server business	IaaS Business
	Private cloud business	SaaS and PaaS Business

Particulars of the Remaining Business

A. MaaS Business

The terms of the transactions that the Company enters into with customers are based on their purchase volume, previous working relationship, credit and accounting period; and the sale prices are determined according to the manufacturers guided pricing and raising it by a certain percentage. The Company's clients for its server-related products are divided into three categories:

(1) Foreign customers — These customers directly enter into contracts with Baotong Group Co., Ltd. ("**Baotong Group**"), and the arrangements are in the form of entrepot trade. Sales of the goods are completed in Hong Kong, and the payment to Baotong Group will be settled in USD directly. Customers can choose to pick-up the goods in Hong Kong, or have them transported to their designated warehouse.

(2) Hong Kong platform companies of PRC customers — These customers directly enter into contracts with Baotong Group, and the arrangements are in the form of entrepot trade. After purchasing the products, customers need to declare the products with the customs on their own so that they can be imported into PRC, and the payment to Baotong Group will be settled in USD directly. Customers can choose to pick-up the goods in Hong Kong, or have them transported to their designated warehouse.

(3) PRC customers — These customers require the change of possession to take place within PRC, and they will enter into contracts with the Company's subsidiary Baotong Zhiyuan. Baotong Zhiyuan and Baotong Group also entered into a separate sale & purchase agreement, such that Baotong Zhiyuan can appoint an import agent to import the products and forward them to the customers' warehouses within PRC after taking the products into its possession. Payments between customer & Baotong Zhiyuan, and between

Baotong Zhiyuan and the import agent are settled in RMB directly. Customers will also instruct Baotong Zhiyuan to settle their bill with Baotong Group in USD.

Most of the Group's downstream customers are electronic enterprises who have a relatively large demand for server-related components and their procurement platforms in Hong Kong. The settlement period ranges from 7 to 150 days, and are settled mainly through telegraphic transfer or letter of credit.

The Group is one of Intel's most important strategic partner in the world, and both sides established a good working relationship. In 2003, the Company set up Baoteng Group, which acted as Intel's main distributor in China, and distributed a series of products for Intel, including its CPUs and motherboards. As at 30 September 2016, Baoteng Group has set up branches and associated companies in a large number of cities in PRC. Baoteng Group's product, sales and distribution centres provide technical and service support to its client and business partners.

The Company will use the working capital of not less than RMB120 million during the years 2017 to 2020 obtained from the proceeds of the Disposal to invest in the integration of supply chain of the Group for building supply chain systems in the main cities in the PRC, including Beijing, Shanghai, Guangzhou and Shenzhen in order to strengthen the Company's competitiveness in technological support and services.

B. CDN Business

The Group provides customers with bandwidth resources and CDN services at the same time, by making use of IDC suppliers' broadband which has lower usage rate. This is effective to resolve the problem of congestion in the Internet and high cost for broadband. Due to restriction in business license, the size of CDN business of the Group is relatively small, the Company will arrange working capital for the CDN business according to its development needs. In the future, the Group will aim to provide CDN services with the best user experience, more convenient operation, and more stable systems, it will help the users to calculate the nearest access node so that users can obtain the required content on the Internet quickly, it will also resolve the Internet network congestion problems and to improve the speed of access to websites. At the same time, the Group will integrate the backbone of the regional network node resources in Beijing, Shanghai, Guangzhou and Shenzhen in order to create quick content distribution and routing in response to cloud acceleration function.

C. Guangzhou IDC Business

The Company's self-constructed IDC in Guangzhou mainly engages in the professional IDC business, and provide clients with a series of services including customization of data rooms, modules, servers and storage systems; rental service of data center racks and servers; and management of servers.

There are approximately 1,000 data centre racks that are in service at the 1st Phase Guangzhou Data Centre. Guangzhou Telecom is the Company's partner for the project, and the service fee charged for each client is approximately RMB5,000 to 6,000 per month, which varies according to client's usage of electricity and broadband.

The Company has undertaken that with respect to the Guangzhou IDC Business, after the Completion and when the conditions for Guangzhou IDC Business to be injected into Zqgame are met and when there are no actual obstacles to such injection, the Company may carry out negotiations with Zqgame and after reaching and entering into formal agreements inject the Guangzhou IDC Business into Zqgame; and the Company may also terminate the Guangzhou IDC Business or transfer it to an unrelated third party to resolve the competition issue. The Company will continue to develop the Guangzhou IDC Business, the Company has years of experience in the IDC industry, the Guangzhou IDC Business is expected to continue to grow in the future, when the Guangzhou IDC Business achieves certain profitability, the Company will consider disposing of the Guangzhou IDC Business.

D. Server Business and Private Cloud Business

The segment is principally engaged in the research & development, manufacturing and distribution of servers and the provision of their relevant solutions. Powerleader Computing is a leading cloud infrastructure provider in the PRC, it has over 10 years of experience and has the largest number of cloud server products in terms of types and models. The segment is further divided into 3 sectors, i.e. servers, storage and private cloud.

Powerleader Computing is a leading server and cloud infrastructure provider in PRC and it has a competitive advantage in areas such as technology, products and sales. These were achieved by its leading independent research & development capabilities; complete product line and categories; and its sales and service experience accumulated throughout the years. While the Agreement of Intent had lapsed on 7 April 2017, the Company does not rule out the possibility of carrying out other capital operations such as spin-off or disposal of Powerleader Computing in the future.

Investments made by the Company to the IDC Business and the development status

The total capital investments made by the Company to the IDC Business include construction costs and maintenance costs. The construction costs of the data rooms comprise the costs for infrastructure and conversion of the data rooms. The maintenance costs comprise the staff costs for the maintenance of data rooms and electricity costs.

The breakdown of the amounts of capital investments incurred by the Company for each of the Shenzhen IDC Business as of 31 December 2016 and Guangzhou IDC Business are set out as follows:

(Unit: RMB)

	Construction costs	**Maintenance costs**	**Total investment**
1st Phase of the data centre rooms of the Shenzhen IDC Business ("**Shenzhen Data Centre**")	90,000,000.00	41,811,500.33	131,811,500.33
2nd Phase of the Shenzhen Data Centre	46,619,060.08	2,897,711.30	49,516,771.38
1st Phase data centre rooms of the Guangzhou IDC Business ("**Guangzhou Data Centre**")	138,166,955.75	26,000,780.83	164,167,736.58
2nd Phase of the Guangzhou Data Centre	3,814,910.00	—	3,814,910.00

The amounts of capital investments incurred and expected to be incurred by the Company for each of the Shenzhen IDC Business and the Guangzhou IDC Business are as follows:

(Unit: RMB)

	Amount of construction costs incurred	**Amount expected to be invested**
1st Phase of the Shenzhen Data Centre	90,000,000.00	120,000,000.00
2nd Phase of the Shenzhen Data Centre	46,619,060.08	65,000,000.00
1st Phase of the Guangzhou Data Centre	138,166,955.75	150,000,000.00
2nd Phase of the Guangzhou Data Centre	3,814,910.00	165,000,000.00

The maintenance costs incurred by the Company for 1st Phase of the Shenzhen Data Centre and 1st Phase of the Guangzhou Data Centre are as follows:

(Unit: RMB)

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	Total
1st Phase of the Shenzhen Data Centre	5,137,380.12	22,134,345.67	14,539,774.54	41,811,500.33
1st Phase of the Guangzhou Data Centre	—	10,301,922.52	15,698,858.31	26,000,780.83

The Company commenced the construction of the Shenzhen Data Centre in 2013. Up to 31 December 2016, the Company had invested approximately RMB181 million. The 2nd Phase of the Shenzhen Data Centre commenced operation in October 2016, and the difference between the expected amount and actual amount of capital investment for the 2nd Phase of the Shenzhen Data Centre is due to an amount of costs of approximately RMB18.38 million which remained payable by the Company as of 31 December 2016.

The Company commenced the construction of the Guangzhou Data Centre in 2014. Up to 31 December 2016, the Company had invested approximately RMB168 million. The construction of the 2nd Phase of the Guangzhou Data Centre has just commenced, and the Company expects to invest approximately RMB165 million in it.

Future prospects of the Remaining Business

The Disposal will be beneficial to the Group in focusing on the development of the remaining core business, i.e. to focus on developing its MaaS Business and the Guangzhou IDC Business.

Through consolidating the business resources of the MaaS Business, the Company will focus on developing new products and platforms, in order to cover different segments of the Internet-related industry. The Company also aims to provide its clients with integrated information technology services through facilitating the merger of various sectors, and building up a new form of service through using its products and platform as the core to cultivate and support integration across different sectors and to enhance the efficiency of clients' operations, for example, by combining the technology of big data services to analyze the demand of products in the market and to make strategic decisions; by allowing clients to utilize the supply chain services platform to satisfy demand for supply chain transactions; and to create a data link for clients through the system solutions. At the same time, the Company will be gradually transforming into a large information technology group providing MaaS service, information technology system integration and maintenance services. Meanwhile, the Group is the distributor of products of brands including Intel, Schneider as well as

LCD products. The Company expects that there will be substantial growth in its distribution businesses, including the distribution of products for LCD, Schneider, Samsung, Shanghai Eisoo, which would lead to a significant boost in its revenue. At the same time, the Company's business with Intel has also been growing rapidly which is in line with the boom of PRC's cloud computing market. For the Guangzhou IDC Business, the 1st Phase Guangzhou Data Centre was loss-making prior to August 2016, but since then it has been gradually generating profit due to growth in its sales results. If the 1st Phase Guangzhou Data Centre reaches its full capacity, it will achieve a gross profit for the Company. As of 31 December 2016, the Group's MaaS Business achieved a revenue of RMB2,311,179,735, which accounted for approximately 67.30% of the Group's total revenue. The Board considers that the MaaS Business will continue to grow steadily in the coming years, and provide considerable returns to the Group.

After the Disposal, the Company will no longer need to incur the maintenance costs and staff expenses for the Shenzhen IDC Business. At the same time, since Zqgame still needs to lease from the Group the property where the internet data centre of the Shenzhen IDC Business is situated at a market rate, together with the consideration received through the Disposal, it is expected that the Disposal will facilitate improvement to the financial structure of the Group, reduction of its financial costs, and enhancement of the efficiency of the Group's resources allocation.

In light of the global development trend of the cloud computing industry which leads to the expansion of the MaaS market, the Company will consolidate its resources to expand its MaaS Business and SaaS & PaaS Business. It will continue to strengthen the cloud computing segment, reinforce the core competitiveness of its brand, strengthen the sales system construction, improve standard of sales management, broaden the scope of cooperation with suppliers, expand the products distribution system by agents, actively expand business channels partners, provide timely and adequate support in components and professional technical support for business channels partners and clients in the industry in order to maintain the Company's market position as the leading supplier for cloud computing related components in the PRC.

At the same time, the Company will speed up the integration of its core network nodes assets in regions like Beijing, Shanghai, Guangzhou and Shenzhen, in order to extend the coverage of its core network to the entire PRC, to allow contents to be rapidly distributed, and develop the cloud acceleration function for its routers.

Relying on the Company's experience in the cloud computing industry, together with the expansion of its business scale, the Company's revenue structure can be further improved. With the stable growth in income for its MaaS Business and CDN Business, its operating profit should rise steadily, improving the financial performance of its operations. Together with the materialization of investments in its associated and joint venture companies, the Company's profitability will be on the rise. The Company shall continue to operate steadily in under good market conditions and the favorable policies, and maximize Shareholders' return through optimizing its income structure and strengthening its profitability and ability to withstand risk.

The Agreement of Intent had lapsed on 7 April 2017, hence as at the Latest Practicable Date, the Group still held the entire equity interest in Powerleader Computing. Therefore, the Company's principal businesses include the businesses operated by Powerleader Computing and its subsidiaries.

Since the economic structure is undergoing adjustments and the comprehensive reforms are making progress, the likelihood of fully integration of the software industry and the information technology services industry has increased. The development progress of cloud computing, big data and "Internet +" be accelerating as a result of the government policies in PRC. Therefore, the Internet, cloud computing and big data services will be driving the industry's development, which provides traditional software companies with a great opportunity to make a major strategic transformation.

Powerleader Computing relied on its experience in products, technology, research and development, marketing and services to complete its layout which covers nine major regions and seven industries, and is prepared to make a breakthrough in key cities (i.e. Guangzhou, Changsha, Zhengzhou, Shijiazhuang, Shanghai, Nanjing, Wuhan and Chengdu).

In the regional market, Powerleader Computing works with local partners to host marketing seminars and technical training, in order to understand the needs of customers from the government, education, corporate sectors, and to establish their presence in those regions.

In the future, the Company shall adhere to its positioning and focus on promoting cloud computing and smart city; promoting its brand with focus on its new products, big data server products, high-end storage products and industry solutions and creating the "software + hardware + services" integrated industrial chain, the Company does not rule out the possibility of carrying out other capital operations in the future.

13. GEM LISTING RULES IMPLICATIONS

As one of the percentage ratios in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Powerleader Investment, the controlling shareholder of the Company, holds approximately 27.86% of the total issued shares of Zqgame, and the Company holds approximately 15.24% of the total issued shares of Zqgame. Zqgame is a 30%-controlled company (as defined in Rule 20.06(1) of the GEM Listing Rules) held by Powerleader Investment. As Powerleader Investment being a substantial shareholder of the Company is a connected person of the Company, Zqgame being as associate of Powerleader Investment is also a connected person of the Company under Rule 20.07(4) under the GEM Listing Rules.

As two of the applicable percentage ratios of the Disposal exceed 5%, the Disposal as a connected transaction of the Company is also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The grant of the Company Undertakings also constitutes a connected transaction which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Under the GEM Listing Rules, any Shareholder with a material interest in the Disposal and/or the Company Undertakings and any close associates of such Shareholder shall abstain from voting on the relevant resolutions at the EGM. To the best of the Directors' knowledge and belief on the Latest Practicable Date, Powerleader Investment and its associates (holding a total of 102,184,500 Domestic Shares representing approximately 42.05% of total issued Shares) would be required to abstain from voting on ordinary resolution in respect of the Disposal, the Company Undertakings and the transaction contemplated thereunder, and no other Shareholder would be required to abstain from voting on the relevant resolutions at the EGM pursuant to the GEM Listing Rules.

As (i) each of Mr. Li Ruijie and Ms. Zhang Yunxia being a Director is also a director and/or shareholder of Powerleader Investment and Zqgame, (ii) Mr. Xu Yueming being a Director is also the secretary of Zqgame's board of directors, vice general manager and the chief financial officer of Zqgame, and (iii) Mr. Ma Zhumao being a Director is also the chairman of Zqgame's supervision committee, such Directors have abstained from voting on the resolutions of the Board approving the Disposal and the Company Undertakings. Save as disclosed above, none of the Directors has a material interest in the Disposal and the Company Undertakings.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Disposal and the grant of the Company Undertakings are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders of the same.

14. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

As the Company receives property lease fees from other enterprises pursuant to various leases, and in accordance with the rules and regulations for properties settlement and taxation in the PRC, the Board proposes to expand the existing scope of business of the Company to include "leasing of properties" and "property services" in order to reflect the current business situation and business development of the Company. Accordingly, the Company proposes to make certain amendment to the Articles of Association to reflect the proposed expansion of scope of business of the Company.

The Proposed Articles Amendment is subject to the approval of the Shareholders by way of special resolution at the EGM and all necessary approvals, authorizations or registration (if applicable) having been obtained from or filed with the relevant governmental or regulatory authorities in the PRC.

The Company proposes to amend the Articles of Association regarding business scope by deleting the entire Article 12 of the Articles of Association and replacing it with the following text:

"The business scope of the Company shall be subject to the items approved by its registration office.

Business scope of the Company: development, production and sales of computer software, hardware, interface equipment and accessories; sales of self-made products; import and export business (subject to S.M.J.Z.Z.No.[2001] 0490); leasing of properties and property services.

With the resolution of the Company's General Meeting of Shareholders and upon the approval of the national relevant competent departments, the Company may, according to the changes of the domestic and foreign markets, demand of the domestic and foreign business and its development ability, appropriately adjust its business scope or investment direction and method."

The Articles of Association is written in Chinese and the English translation is for reference only. In case of inconsistency between the Chinese and English versions of the Articles of Association, the Chinese version shall prevail.

15. EGM AND ACTION TO BE TAKEN

The EGM will be held at main conference room, 11/F, Town C, Shenzhen International Innovation Centre, No. 1006 Shennan Road, Futian District, Shenzhen, the PRC on Monday, 26 June 2017 at 3:00 p.m.. At the EGM, resolutions will be proposed to the Shareholders to consider, and if thought fit, to approve each of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the Company Undertakings and the transactions contemplated thereunder, and the Proposed Articles Amendment.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, the vote of the Shareholders at the EGM shall be taken by poll. Accordingly, the resolutions put to vote at the EGM will be taken by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

A form of proxy in respect of the EGM was despatched by the Company on 6 June 2017. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road

East, Wanchai, Hong Kong (in case of holders of H Shares) or the registered office of the Company at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the relevant meeting or at any adjournment thereof. Completion and delivery of the proxy will not prevent you from attending, and voting at, the meeting or any adjournment thereof if you so wish.

16. RECOMMENDATIONS

The Board (including the Independent Board Committee) has carefully reviewed the relevant documents and reports in relation to the Disposal, including the valuation report, audit reports, recent precedent cases of mergers and acquisitions in the IDC industry, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement, the Supplemental Agreement to the Profit Guarantee Compensation Agreement, the Company Undertakings, and have discussed with the finance manager and the chief financial officer of the Company to obtain a better understanding on the valuation report and the audit reports of Baoteng Internet. Two board meetings of the Board were held to carefully review and approve the Disposal and the Non-Competition Undertakings.

The Board (including the Independent Board Committee) considers that the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and Company Undertakings are on normal commercial terms which are, fair and reasonable, and the entering into of the these agreements and the transactions contemplated thereunder is in the interest of the Company and Shareholders as a whole. The Independent Board Committee considers that pursuant to the Supplemental Agreement to the Profit Guarantee Compensation Agreement, the maximum amount of the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company will not be more than RMB110,361,605.80, which is equal to the guaranteed net profit amount of Baoteng Internet during the Compensation Period, therefore the Supplemental Agreement to the Profit Guarantee Compensation Agreement is on normal commercial terms which are fair and reasonable, and the entering into of the Supplemental Agreement to the Profit Guarantee Compensation Agreement is in the interest of the Company and the independent Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution as set out in the notice of EGM to approve the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement(as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the Company Undertakings and the transactions contemplated thereunder.

The Board recommends the Shareholders to vote in favour of the special resolution as set out in the notice of EGM to approve the Proposed Articles Amendment.

17. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Powerleader Science & Technology Group Limited*
Zhang Yunxia
Chairman

* *For identification purpose only*

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:

宝德
PowerLeader

宝德科技集團股份有限公司
POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8236)

9 June 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SHENZHEN IDC BUSINESS AND THE VALUE-ADDED CLOUD SERVICES BUSINESS

(2) CONNECTED TRANSACTION IN RELATION TO THE GRANT OF THE NON-COMPETITION UNDERTAKINGS

We refer to the circular issued by the Company to the Shareholders dated 9 June 2017 (the "**Circular**"), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them in the section headed "Definitions" of the Circular.

We have been appointed by the Board to consider the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the Company Undertakings and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. Vinco Capital has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board, as set out from pages 8 to 50 of the Circular and the letter from the Independent Financial Adviser, as set out from pages 53 to 84 of the Circular. Having considered the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the Company Undertakings and the advice of the Independent Financial Adviser, we are of the view that

* *For identification purpose only*

the terms and conditions of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the granting of the Company Undertakings are fair and reasonable and such transactions are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the Company Undertakings and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Powerleader Science & Technology Group Limited
Mr. Chan Shiu Yuen Sammy **Dr. Guo Wanda** **Mr. Jiang Baijun**
Independent non-executive
Directors

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement, Supplemental Agreement to the Profit Guarantee Compensation Agreement, and the Non-Competition Undertakings, which has been prepared for the purpose of incorporation in this circular:

VINCO 域高

Vinco Capital Limited

Units 4909–4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

9 June 2017

To the Independent Board Committee and the Independent Shareholders of
Powerleader Science & Technology Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SHENZHEN IDC BUSINESS AND THE VALUE-ADDED CLOUD SERVICES BUSINESS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement, Supplemental Agreement to the Profit Guarantee Compensation Agreement, and the grant of the Company Undertakings, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 9 June 2017 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 1 September 2016, 21 November 2016 and 1 March 2017 in relation to the Disposal. On 1 September 2016 (after trading hours), the Company and Zqgame entered into the Agreement, pursuant to which the Company conditionally agreed to sell and Zqgame conditionally agreed to purchase the entire equity interests of Baoteng Internet, for a total consideration of RMB500,000,000.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. Powerleader Investment, the controlling shareholder of the Company, holds approximately 27.86% of the total issued shares of Zqgame, and the

Company holds approximately 15.24% of the total issued shares of Zqgame. Zqgame is a 30%-controlled company (as defined in Rule 20.06(1) of the GEM Listing Rules) held by Powerleader Investment. As Powerleader Investment being a substantial shareholder of the Company is a connected person of the Company, Zqgame being an associate of Powerleader Investment is also a connected person of the Company under Rule 20.07(4) under the GEM Listing Rules. As two of the applicable percentage ratios of the Disposal exceed 5%, the Disposal as a connected transaction of the Company is also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Agreement and the transactions contemplated thereunder, and the grant of the Company Undertakings are subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. Powerleader Investment and its associates shall abstain from voting on ordinary resolutions in respect of the Disposal and the transaction contemplated thereunder at the EGM due to their interest in the concerned transactions. Other than that, no other Shareholder has a material interest in the above transactions and will abstain from voting in respect of the resolution to approve the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), and the Company Undertakings and the transactions contemplated at the EGM.

The Independent Board Committee, comprising Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda, Mr. Jiang Baijun from the Board, has been established to advise the Independent Shareholders as to whether the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement), the grant of the Company Undertakings are fair and reasonable and on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

We have been appointed, and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the Company Undertakings. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement) and the grant of the Company Undertakings are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM for approving the terms of these documents and the transactions contemplated thereunder. We are not connected with the directors, chief executive and substantial shareholders of the Company and Zqgame or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, did not have any shareholding, directly or indirectly, in any member of the Company and Zqgame 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. Therefore, we are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice in respect of the transactions contemplated under the Disposal and the Company Undertakings.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and the management of the Group. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the EGM and that all expectations and intentions of the Directors and the management of the Group, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management of the Group. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and management of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to terms of the Agreement, Asset Transfer Agreements, Profit Guarantee Compensation Agreement, Supplemental Agreement to the Profit Guarantee Compensation Agreement, and the grant of the Company Undertakings and the transactions contemplated thereunder, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Agreement, Asset Transfer Agreements, Profit Guarantee Compensation Agreement, Supplemental Agreement to the Profit Guarantee Compensation Agreement, and the grant of the Company Undertakings, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement, Asset Transfer Agreements, Profit Guarantee Compensation Agreement, Supplemental Agreement to the Profit Guarantee Compensation Agreement, and the grant of the Company Undertakings, we have taken into consideration the following principal factors and reasons:

I. Background of and reasons for the Disposal

Information of the Group

As referred to in the Letter from the Board, the principal business of the Group is the provision of cloud computing products and related solutions and services, which mainly includes (i) Cloud Infrastructure as a Service (IaaS) — comprising provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) Cloud Module as a Service (MaaS) — comprising research and development, design, manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) Software as a Service and Platform as a Service (SaaS and PaaS) — comprising development of cloud computing software and platforms and provision of related services.

Set out below is a summary of the financial results of the Group for each of the three years ended 31 December 2016, as extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"), the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), and the annual report of the Company for the year ended 31 December 2016 ("**2016 Annual Report**") respectively.

Consolidated statement of profit or loss	For the year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,852,839	2,686,354	3,434,030
Profit attributable to owners of the Company	53,997	21,270	33,356

Consolidated statement of financial position	As at 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Bank and cash balances *(note)*	381,156	252,209	239,589
Total assets	2,291,283	2,802,917	2,790,810
Total liabilities	1,487,987	1,977,181	1,931,301
Total Equity	803,299	825,738	859,509

Source: 2014 Annual Report, 2015 Annual Report and 2016 Annual Report

Note: Excluding other cash and cash equivalents pledged to bank for issuing letters of credit

(i) Audited consolidated results for the year ended 31 December 2015

As shown above, we noted that the Group's revenue for the year ended 31 December 2015 amounted to approximately RMB2.7 billion, representing an increase of approximately 45.0% as compared to that of the year ended 31 December 2014. With reference to the 2015 Annual Report, such increase was mainly due to the Company taking steady measures to conduct re-layout for core server, cloud distribution, and cloud IDC businesses to strengthen sales management, optimize quality management model, expand brand promotion, deeply explored markets of various sectors, and improve sales service capacity. However, the Group recorded a significant decrease of approximately 60.6% in the profit attributable to Shareholders from approximately RMB54.0 million for the year ended 31 December 2014 to approximately RMB21.3 million for the year ended 31 December 2015, mainly attributable to the decline in overall gross profit margin from approximately 12.26% for the year ended 31 December 2014 to approximately 9.43% for the year ended 31 December 2015, due to the Company's promotion strategy of lowering price for the purpose of increasing sales volume.

As at 31 December 2015, the Group recorded total assets, total liabilities and equity attributable to Shareholders of approximately RMB2.8 billion, RMB2.0 billion and RMB0.8 billion, respectively.

(ii) Audited consolidated results for the year ended 31 December 2016

According to the 2016 Annual Report, revenue for the year ended 31 December 2016 amounted to approximately RMB3.4 billion, representing an increase of approximately 27.8% compared to approximately RMB2.7 billion in 2015, which was attributable to an increase in turnover from the Group's principal activities, including IaaS, MaaS and SaaS & PaaS. The Group's IaaS business and Maas business, which account for 30.0% and 67.3% of the Group's total revenue, recorded growth of 28.0% and 25.0% respectively. In addition to the growth in IaaS and MaaS business, the Group's SaaS & PaaS business recorded notable growth of 252.5% from approximately RMB24.1 million in 2015 to approximately RMB84.9 million in 2016 despite the business only account for the Group's 2.5% of its total revenue.

In line with the increase in its revenue, the Group's profit attributable to shareholders recorded an increase of approximately 56.8% from approximately RMB21.3 million for 2015 to approximately RMB33.4 million for the year ended 31 December 2016. The growth in the profit attributable to shareholders was mainly due to the (i) higher revenue from IaaS and MaaS business as mentioned; and (ii) the improvement of profitability of SaaS & PaaS business from net loss of approximately RMB2.6 million in 2015 to a net gain of approximately RMB19.1 million in 2016.

As at 31 December 2016, the Group had total assets, total liabilities and total equity of approximately RMB2.8 billion, RMB1.9 billion and RMB0.9 billion, respectively.

Information of Zqgame

The main operating businesses carried on by Zqgame as at the Latest Practicable Date were the development and operation of online games.

The audited net assets of Zqgame, based on PRC accounting standards, was approximately RMB976,201,000 as at 31 December 2016.

Information of Baoteng Internet

Baoteng Internet is a company incorporated in the PRC with limited liability and has a registered capital of RMB10,000,000. The equity interest in Baoteng Internet is owned as to 100% by the Company before the Completion.

The business scope of Baoteng Internet covers information technology products, communication technology products, consumer electronics and research & development and sales of the software and hardware of Internet technology products, as well as property management.

The audited net assets of Baoteng Internet, based on PRC accounting standards, was approximately RMB4,669,000 as at 31 December 2016.

The following is the financial information of Baoteng Internet for the years ended 31 December 2015 (audited) and 31 December 2016 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	**For the year ended 31 December 2015 (audited)**
Net profits before taxation	approximately RMB(3,657,000)	approximately RMB(163,000)
Net profit after taxation	approximately RMB(3,657,000)	approximately RMB(163,000)

Information of Powerleader Data Service

Powerleader Data Service is a company incorporated in the PRC with limited liability and has a registered capital of RMB10,000,000. The equity interest in Powerleader Data Service is owned as to 100% by Baoteng Internet.

The business scope of Powerleader Data Service is data technology, computer hardware and software, network technology including technology development, technical consulting, technology transfer and technical services.

Powerleader Data Service was incorporated in May 2016, the audited net assets of Powerleader Data Service, based on PRC accounting standards, is RMB0 as at 31 December 2016.

The following is the financial information of Powerleader Data Service for the years ended 31 December 2015 (audited) and 31 December 2016 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	**For the year ended 31 December 2015 (audited)**
Net profits before taxation	RMB0	RMB0
Net profits after taxation	RMB0	RMB0

Reasons for and benefits of the Disposal

Focus on development of MaaS Business

As advised by the management of the Company, based on their evaluation on the overall business and economic environment, the Company adjusted its direction of development and plan to reorganize its business structure. In sense of such adjustment, the Disposal will form part of the Group's internal reorganization, such that the Company can focus its efforts on developing MaaS Business and to achieve its target of becoming China's leading cloud module supplier.

According to the 2016 Annual Report, the Group's revenue was mainly derived from the MaaS Business which accounted for approximately 67.3% of the total revenue for the year ended 31 December 2016. The revenue from MaaS Business increased by approximately 25.0% from approximately RMB1.8 billion to for the year ended 31 December 2015 to RMB2.3 billion for the year ended 31 December 2016. The significant increase recorded was mainly due to the Group's new business strategies on it MaaS business including expanding its distribution channels, breaking through the distribution chain information flow and adopting sales models such as channel refinement and narrow-focused propagation, which aim to segment the key business markets such as cloud server accessory products, network cards, storage products and all-in-one machine. These new strategies help the Company to develop the niche markets of different demand characteristics, and implementing different propagation strategies so as to better meet the one-stop purchasing demands of the market customers and provide the more integrated and efficient solutions for the customers.

The adjustment of development direction was first reflected in the proposed transaction between the Company and Taiji Computer. As stated in the Letter from the Board and as advised by the management of the Company, the Company contemplated the first adjustment to its business plan in May 2015, as further elaborated in the announcement of the Company dated 23 December 2015 regarding the Taiji Computer Transaction and the related internal restructuring of the Company. After reviewing the agreement of the Taiji Computer Transaction and the list of asset to be disposed upon completion of the Taiji Computer Transaction, we note that the Group will have disposed of a substantial part of its IaaS Business and part of its SaaS & PaaS Business, which in line with the reason of restructuring for the Disposal. According to the announcement of the Company dated 8 January 2017 (the "**Taiji Announcement**"), the Company announced that the Taiji Computer Transaction will not be taking effect due to the precedent conditions cannot be fulfilled. Although the Taiji Company Transaction — the first adjustment to Company's business structure cannot be completed, both the Group and Taiji Computer still intend to carry out the disposal under the Taiji Computer Transaction. The Group and Taiji Computer entered into an Agreement of Intent with Taiji Computer, pursuant to which the Group intends to sell, and Taiji Computer intends to purchase the entire equity interest in Powerleader Computing. As of 7 April 2017, since the parties to the Agreement of Intent had not entered into a formal agreement within three months after the date of Agreement of Intent, neither had the parties reached agreement on the postponement, the Agreement of Intent was automatically lapsed. As confirmed by the Directors of the Company, the intention of carrying out business restructuring or other capital operations of Powerleader Computing, including but not limited to spin-off or disposal, in the future remains unchanged.

Strategic integration between the Group and Zqgame

The Disposal includes the disposal of the Shenzhen IDC Business comprising customization service of data center and data center rack rental services, and the Value-added Cloud Services Business. The main areas of service includes the rental of machines, data centre racks, and data centre rooms; management of servers; the Internet dedicated leased line access service and network management service. The businesses of the Company and Zqgame are highly complementary since Zqgame's operations requires the rental of a large amount of servers and storage systems to manage the data of the games it operates, its acquisition of the Shenzhen IDC Business can create collaboration opportunities between the Company and Zqgame. The Company can provide the servers, storage systems and maintenance services which may be required by the customers of the Shenzhen IDC Business. Zqgame can thus benefit from the hardware and the related solutions provided at the Shenzhen Data Centre, and consummate its value chain in the games industry.

After Completion, the Shenzhen IDC Business will be operated by Zqgame, and Zqgame will need to continue to purchase a large quantity of cloud server equipment and other component equipment for the operations of Shenzhen IDC Business. Since, the Company is a distributor of server component products for brands including Intel and Schneider in the PRC, and other products including network interface controller, storage systems, network products, and all-in-one personal computers, it is expected that the Company and Zqgame will maintain a business relationship to cater for the needs of the customers of the Shenzhen IDC Business.

According to the research report published by the China Academy of Information and Communications Technology, the scientific research institute directly under the Ministry of Industry and Information Technology in China, in September 2016 (雲計算白皮書2016) (the "**Cloud Computing Report**"), the cloud computing industry is growing rapidly in China. The Cloud Computing Report was announced at the Trusted Cloud Computing Summit which was held by the Ministry of Industry and Information Technology in Beijing. As stated in the Cloud Computing Report, the market size of cloud computing industry in China market recorded approximately RMB37.8 billion in 2015, representing an increase of approximately 31.7% when compared to approximately RMB28.7 billion in 2014. In light of the growth of the cloud computing industry, the IaaS Business still recorded a growth rate of 32% in 2015, however, the growth rate of the IaaS

Business is expected to slow down and consolidate in the coming years as stated in the Cloud Computing Report. On the other hand, due to the rapid growth of the IaaS Business and the increasing number of the internet data centre during the past few years, the demand for MaaS service is expected to increase that provides opportunities for development.

We note that MaaS Business generated the most revenue to the Group and the Company will focus on developing new products and platforms in the future, in order to cover different segments of the Internet-related industry. The Company also aims to provide its clients with integrated information technology services through facilitating the merger of various sectors, and building up a new form of service through using its products and platform as the core to cultivate and support integration across different sectors and to enhance the efficiency of clients' operations, for example, by combining the technology of big data services to analyze the demand of products in the market and to make strategic decisions; by allowing clients to utilize the supply chain services platform to satisfy demand for supply chain transactions; and to create a data link for clients through the system solutions. At the same time, the Company will be gradually transforming the Group into a large information technology group providing MaaS service, information technology system integration and maintenance services. Meanwhile, as advised by the management of the Company, the Group is the distributor of products of brands including Intel, Schneider as well as LCD products. The Company expects that there will be substantial growth in its distribution businesses, including the distribution of products for LCD, Schneider, Samsung, Shanghai Eisoo, which would lead to a significant boost in its revenue. At the same time, the Company's business with Intel has also been growing rapidly which is in line with the boom of PRC's cloud computing market. For the Guangzhou IDC Business, the first phase Guangzhou Data Centre was loss-making prior to August 2016. If the 1st Phase Guangzhou Data Centre reaches its full capacity, it will achieve a gross profit for the Company. For the year ended 31 December 2016, the Group's MaaS Business achieved a revenue of approximately RMB2.3 billion, which accounted for approximately 67.3% of the Group's total revenue. The Board considers that the MaaS Business will continue to grow steadily in the coming years, and provide considerable returns to the Group. As stated in the 2015 Interim Report, the Company intended to focus on the Remaining Businesses, in particular, the MaaS Business, by strengthening cooperation with major brands, cooperating with the manufacturer's operation strategy and business model, as well as enriching the vast variety of products and resources that the Group provides. For the SaaS and PaaS Business, it was stated in the 2016 Interim Report that the Company is aiming to strengthen its investment in research & development, make advanced planning, and be bold in innovation, in order to offer customers with safe, reliable, convenient, outstanding and complete system of cloud services. Such intentions were also stated the 2015 Annual Report as the business plan to enhance the development of the MaaS Business and of the SaaS and PaaS Business.

Taking into account the reasons stated above and there will still be business opportunities for the Group to provide cloud server and data centre component product service and their related solutions to the Shenzhen Internet Data Centre after Completion, we note that the Disposal is consistent with and will also facilitate the carrying out of such business plans. Although the Company can achieve the same business objective and the synergies effect with Zqgame without entering into the Disposal, we consider the opportunity cost of operating the Shenzhen IDC Business is higher and the Company would need to take a longer time and extra cost for operating the Shenzhen IDC Business to achieve the same business objective. In addition, there would be strategic integration formed between the Group and Zqgame after Completion. The Group's management expects that the synergies effect with Zqgame could bring higher revenue to the Group by providing one-stop service to customers.

Although, the profitability of the IDC Business is gradually improving, having consider that (i) operating the IDC Business requires huge capital investment and high maintenance costs, the Company could rather focus on the MaaS Business and invest the funds saved from operating IDC Business to expand the MaaS Business; and (ii) through the disposal of the Shenzhen IDC Business, strategic integration between the Company and Zqgame will be formed which will be advantageous for both parties to form an integrated value-chain of "Software + Hardware + Service"; we concur with the Directors that the disposal of the Shenzhen IDC Business is fair and reasonable and will be beneficial to the Company and the Shareholders as a whole.

Acquisition trend of internet data centres in PRC

In accordance with significant development of the "Internet plus" concept in the PRC in recent years, cloud computing and internet data centres became more interdependent on each other. Due to expected synergy effect from the integration of cloud computing and internet data centre, there has been a trend of mergers and acquisitions of large-scale internet data centres in the PRC and such trend would create opportunity for MaaS business. As part of our analysis, we note the following acquisitions undertaken by various listed companies in Hong Kong with the acquisition of internet data centre in PRC. We understand that in terms of size, location and capacity of the internet data centres of the market transactions quoted below may differ from the Disposal, the market transactions however can still show the recent trend of mergers and acquisitions of large-scaled internet data centres in the PRC market, of which the relevant announcements and circulars were dated during the period of 2015 and 2016, (i) under an acquisition entered into by CITIC Telecom International Holdings Limited ("**CITIC**") (stock code: 1883) in October 2015, pursuant to acquire 39% equity interest of the target company which offer provision of IDC services; (ii) under an acquisition entered into by Neo Telemedia Limited ("**Neo**") (stock code: 8167)in March 2016, pursuant to acquire 60% equity interest of the target company which principally engaged in providing IDC services in PRC; and (iii) under an acquisition entered into by Sheen Tai Holdings Group Company Limited ("**Sheen Tai**") (stock code:

1335) in March 2016, pursuant to acquire 100% of the issued share capital of the target company which directly holding a company that principally engaged in the operation of cloud computing data centres.

Although, the return on the investments of the quoted market transactions were not disclosed in the relevant announcement and circular. We consider that the market transactions illustrated above still able to provide the investors with informative data regarding the basis of how those market transactions were structured. We note that the basis and terms of determining the considerations of the comparable companies are either taking into account (i) historical financial performance of the target company, which represents to the return generated from the IDC services; (ii) the future prospect of the IDC Business; and (iii) the implied price-to-earning ratio of the target company, which is similar to the basis and terms that adopted by the Company. In view of the on-going mergers and acquisitions in the IDC Business market of PRC, the demand for internet data center is high and the internet data center will need to purchase a large quantity of cloud server equipment and other component equipment for such operations. The expansion of the MaaS Business will allow the Company to be the distributor of server component products for brands including Intel and Schneider in the PRC, and other products including network interface controller, storage systems, network products, and all-in-one personal computers. It is expected that the Remaining Business of the Company in catering for the needs of the customers of the IaaS Business will bring a stable stream of business opportunities for the Group's MaaS Business. This represents a good opportunity for the Company to achieve a higher revenue through the disposal of Shenzhen IDC Business and the expansion of the MaaS Business.

The Company's return on its investments on the Shenzhen IDC Business reached expectations and the reallocation of resources

We have reviewed the financial statements of Shenzhen IDC Business provided by the Company, as disclosed in the financial statements of Shenzhen IDC Business for the three years ended 31 December 2016, we note that the Company recorded loss from the operation of the Shenzhen IDC Business in 2014 and has gradually improved to a profit of approximately RMB13.4 million for the year ended 31 December 2016. In addition, according to the Valuation Report, we have reviewed the data collected by the Valuer, such as the historical information on assets and liabilities of the Baoteng Internet and the historical operating financial data of Shenzhen Guanlan IDC Business and value-added service, we note that based on the asset-based approach which taking account into the monetary capital investment, machine and equipment and other daily operating cost, the assessed value amounted to RMB176,904,400. Given that the consideration of Baoteng Internet is RMB500,000,000, the return of investment is approximately 183%. Having considered that the amount of the consideration to be received from the Disposal exceeds the Group's investment in the Shenzhen

IDC Business, the Directors are of the view that the return on investments of the Disposal is relatively high, and consider that the Company can achieve a greater return by reallocating the proceed from the Disposal to other business.

In view of the above, we note that although the profit from the operation of Shenzhen IDC Business is gradually increasing, the profit for the year ended 31 December 2016 only represents a return of 7.6% to the amount of Company's initial investment on the target asset and 2.68% to the consideration. Meanwhile, according to the 2016 Annual Report, the Group's gross profit margins from MaaS and IaaS business were respectively 3.83% and 19.48%. In this sense, reallocating the proceed from the Disposal on the development of the Company's MaaS business or IaaS business, which create higher percentage of return, would be favorable to the Group and is consistent with the Company's strategy of expanding MaaS business.

Moreover, the Company is the holder of approximately 15.24% of the total issued shares of Zqgame. After the Disposal and the injection of the Shenzhen IDC Business into Zqgame, Zqgame will benefit from the synergy effect and economies of scale, which will in turn create value to the Company's equity interest in Zqgame. Hence, having considered that the Company is a substantial shareholder of Zqgame, (i) the Company can enjoy the benefit of the economies of scale of Zqgame by providing tailor made MaaS service to Zqgame after the Disposal; and (ii) the Company can enjoy the profit generated from Shenzhen IDC Business after the Disposal by indirectly holds the equity interest of Zqgame without having to bear the corresponding costs, including but not limited to maintenance cost and management fee, input into the Shenzhen IDC Business. (iii) after the Disposal, the Company could reduce its level of liability and hence the financial cost for operating the Shenzhen IDC Business which will be discussed in the paragraph below. Therefore, further to the direct benefits of the Disposal, through the strategic integration to be formed between the Group and Zqgame, the Company expects that there will be a stable stream of business opportunities for the Group's MaaS Business. In light of the above, we are of the view that the Disposal could improve the Company's profitability.

Improvement to the financial structure of the Group

As stated in the Letter from the Board, part of the initial capital put in was funded by bank loans which increased the Group's gearing ratio. The Company intends to use the net proceeds from the Disposal as general working capital and for repayment of bank loans used to finance the construction of the Shenzhen Internet Data Centre. The Disposal will allow the Company to replenish its general working capital and improve its liquidity. According to the financial statements provided by the Company, the total current liabilities for Shenzhen IDC Business was amounted to approximately RMB24.7 million in 2016, it represents an increase of approximately 286.0% when compared to the total current liabilities of approximately RMB6.4 million in 2015. Although the current liabilities of the Shenzhen IDC Business accounted for a small portion to the

Group's total current liabilities, the growth rate already recorded approximately 300% while the Shenzhen IDC Business was not operating in full capacity. It is expected that the current liabilities of the Shenzhen IDC Business will be further increased when the second phase of Shenzhen Guanlan Internet Data Center will be fully loaded in July 2017. From our review of the 2016 Annual Report, we note that the Group and the company had current ratios (i.e. current assets/current liabilities) of approximately 1.12 and 0.91 respectively. In other words, the Company in fact has negative working capital as of 31 December 2016. Given the Disposal could release the Company's burden of current liabilities as mentioned above and provide RMR500,000,000 cash proceed to the Company, The Group's management are of the view that the Disposal could help to improve the financial position of the Company and provide capital for its proposed expansion in MaaS business.

Having considered that (i) focusing on the development of MaaS Business is the future business development plan of the Group; (ii) the increasing acquisition trend of internet data centers in PRC due to the expected synergy effect; (iii) the return on investment reached the Group's expectation; and (iv) the financial structure of the Group will be improved upon Completion, we note that the Disposal is in line with business strategy of the Group as disclosed in the 2015 Annual Report and could enhance the Group's revenue sources to bring maximized returns to the Shareholders. Therefore, we are of the view that the Disposal is in the ordinary and usual course of business of the Company and will be beneficial to the Company and the Shareholders as a whole.

II. Principal terms of the Agreement

On 1 September 2016 (after trading hours), the Company and Zqgame entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and Zqgame conditionally agreed to purchase the entire equity interests of Baoteng Internet, a wholly-owned subsidiary of the Group which directly wholly-owns Powerleader Data Service, for a total consideration of RMB500,000,000. Details regarding the terms of the Agreement are set out below:

Asset to be disposed of

Under the Disposal, the Group will be disposing of the Shenzhen IDC Business and the Value-added Cloud Services Business, comprising part of the IaaS Business of the Group, to Zqgame. The reason for transferring the Shenzhen IDC Business to Baoteng Internet before Completion is to ensure that Baoteng Internet can operate the Shenzhen IDC Business independently after Completion.

As advised by the management of the Company, the Group would like to retain the CDN Business carried on by Baoteng Internet in the Group. The reasons for retaining the CDN Business are (i) the business scale of the Group's CDN Business is relatively small (according to the management account provided by the Company, the revenue of the CDN Business was recorded approximately RMB278,000 for the year ended 31 December 2015, which only accounted for approximately 0.01% of the total revenue of the Group); and (ii) Zqgame did not intend to acquire the CDN Business of the Group. From our review of the board minutes of the Company regarding to the Disposal, we noted that the Zqgame and the board of the Company agreed to exclude the CDN Business from the Disposal.

On 16 November 2016, the Company and Baoteng Internet entered into the Asset Transfer Agreements, pursuant to which the Company agreed to transfer the Subject Assets related to the Shenzhen IDC Business held by the Group at nil consideration to Baoteng Internet, and the Zqgame agreed that the Retained Assets related to the CDN Business held by Baoteng Internet shall be transferred at nil consideration to the Company and/or its subsidiary.

We have reviewed the Asset Transfer Agreements, the board minutes regarding to the Disposal and discussed with the management of the Company, and note that there are few steps have to be completed before entering into the Asset Transfer Agreements, which are (i) the proposal regarding the transfer of Subject Assets, Retained Assets and related matters are reviewed and approved by the board of directors of Baoteng Internet; (ii) performance of financial due diligence work including reviewing the assets and liabilities of the Subject Assets and of the Retained Assets respectively. As advised by the management of the Company, the assets and liabilities of the Subject Assets and of the Retained Assets, the list of the Subject Assets and Retained Assets to be transferred and the terms set out in the Asset Transfer Agreements have been reviewed and verified by the independent audit firm sorting out of the employees, contracts and clients of the Subject Assets and the Retained Assets. In addition, the completion of the Asset Transfer Agreements is subject to approval of the Disposal and the Company Undertakings by the Shareholders. We have also reviewed the lists of Subject Assets and Retained Assets to be transferred including (among other things) business and customers resources, operational data, business records, equipment, inventories, monetary capital, human resources, intellectual property rights such as patents, trademarks, software copyrights, uncompleted orders, sales contracts, procurement contracts and the corresponding sale proceeds, relevant account receivables and debts in respect of the Subject Assets and the Retained Assets respectively.

The list of major items of the Subject Assets is as follows:

1. hardware equipment including load balancers, gigabit switches, array cabinets, server cabinets.

2. office supplies including computers, tool kits, office furniture and television.

3. warehouse equipment including warehouse shelves, storage file cabinets, file cabinets.

4. intangible assets including personnel card, server acceleration software, mutual electronic information room operation and maintenance management system software, IDC room visitor system.

5. human resources including human resources, research and development, operation and maintenance, sales, finance and other staff.

The list of major items of the Retained Assets is as follows:

1. hardware equipment including servers, switches, traffic cleaning equipment.

2. office supplies including office computers, small host computers, printers, office furniture.

3. warehouse equipment including large equipment cabinets and filing cabinets.

4. intangible assets including content distribution network software, mobile coordination office software, abnormal traffic detection system software.

5. human resources including human resources, research and development, operation and maintenance, sales, customer service and other staff.

As stated in the Letter from the Board, we note that the audited net book value of the Shenzhen IDC Business and Value-added Cloud Services Business, based on PRC accounting standards, were approximately RMB117,760,000 as at 30 June 2016. Therefore, the excess of the consideration over the net book value of the Shenzhen IDC Business and Value-added Cloud Services Business as at 30 June 2016 was approximately RMB382,240,000.

Having considered that (1) reasonable steps and due diligence work have been taken before entering into the Asset Transfer Agreements; (2) the Asset Transfer Agreements which set out (i) the detailed lists of the Subject Assets and the procedures for transferring the Subject Assets to Baoteng Internet; (ii) the detailed lists of Retained Assets and the procedures for transferring the Retained Assets to the Company and/or its subsidiaries before Completion; and (iii) the assets transfer at nil consideration which do not require any cash outflow of the Group; (3) the Subject Assets to be transferred to Baoteng Internet and the Retained Assets to be transferred to the Group are both in line with the internal restructuring of business of the Group, as stated in the 2015 Annual Report and 2016 Interim Report, the Group will focus on the MaaS Business instead of IaaS Business; and (4) the Company does not intend to operate the Shenzhen IDC Business since the Shenzhen IDC Business only generated net profit of approximately RMB13.4 million for the year ended 2016 while it requires high operating costs and maintenance costs which it considers not cost-efficient to the Group and affect the financial flexibility of the Group to further expand their businesses; (5) the completion of the Asset Transfer Agreements is still subject to the approval by the Shareholders; and (6) the excess of the consideration of the Disposal over the net book value of the Shenzhen IDC Business and Value-added Cloud Services Business as at 30 June 2016 was approximately 324.6%, we note the transfer under the Asset Transfer Agreements not only will not affect the Remaining Business of the Company, it is also beneficial for further optimisation of assets structure of the Company that in line with the business development of the Group in the future with a fully-embodied operating effect, this is conducive to the concentration of resources, technology, funds and management advantages of the Company in order to expand the MaaS Business. Therefore, the transfer under the Asset Transfer Agreements is beneficial for a healthy and continuous development of the Company, we are of the view that the terms of the Asset Transfer Agreements are on normal commercial terms, fair and reasonable and are in the interest of the Shareholders and Company as a whole.

Consideration

As per our discussion with the Directors, the cash consideration of RMB500,000,000 has been determined after commercial and arm's length negotiations between the parties to the Agreement with reference to, among others, (i) the reasons for the Disposal as set out in the section headed "Reasons for and benefits expected to accrue from the Disposal" in the Letter from the Board of the Circular; (ii) the expected increase of net asset value attributable to the Shareholder from the Disposal of approximately RMB307,240,000 after Completion (tax payable of RMB73,575,000 in relation to the Disposal deducted); and (iii) a preliminary indicative fair value of approximately RMB501,660,100 of the entire shareholders' interest in Baoteng Internet as at the Benchmark Date, as assessed by the Valuer, an independent valuer engaged by Zqgame.

Valuation of the entire shareholders' interest in Baoteng Internet

Regarding the valuation in relation to the entire shareholders' interest in Baoteng Internet (the "**Asset**"), according to the valuation report in relation to the entire shareholders' interest in Baoteng Internet ("**Valuation Report**") issued by the Valuer, the text of which is set out in Appendix III to the Circular, the fair market value of the Asset as at the Benchmark Date was RMB501,660,100. The valuation was prepared by the Valuer using the discounted cash flow ("**DCF**") method under the income approach which requires a number of parameters, including revenue and expense forecasts, working capital requirement and capital expenditure requirement. We understand that a site inspection of the Asset (i.e. the data center in Shenzhen) was conducted during June to July 2016 by the Valuer.

We have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. As shown on the website of CSRC, according to the announcement of CSRC and Ministry of Financial (the "**MOF**") of PRC published in 2008, the Valuer is in the first batch list of approved asset evaluation institution ("**MOF & CSRC Announcement [2008] No. 29 — List of 93 Asset Evaluation Institutions**"). The Valuer has many years of experience in valuing target companies in transactions. The Valuer is a member of the China Appraisal Society and professionally qualified independent valuer in the PRC. The Valuer is qualified to perform valuations in relations to securities and futures, land and properties in the PRC. From time to time the Valuer has been engaged to perform valuation for listed companies in relation to mergers and acquisitions and asset reorganization, and its clientele includes China Mengniu Dairy Company Limited (2319, Stock Exchange), China National Building Material Company Limited (3323, Stock Exchange), COFCO Group and China Resources. Recently, the Valuer was involved in the merger and acquisition and reorganization projects for Shanghai Huayuan Enterprise Development Co., Ltd* (上海華源企業發展股份有限公司) and Chongqing Dima Industry Co., Ltd. (600565, Shanghai Stock Exchange). We further understand from the Company that the Valuer is independent from the parties to the Disposal. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing Baoteng Internet.

In assessing the fairness and reasonableness of the Consideration, for our due diligence purpose, we have reviewed the Valuation Report and discussed with the Valuer the methodology, basis and assumptions used in arriving at the valuation of the Asset as at the Benchmark Date, as well as raised questions on areas which we require further explanation. We were advised by the Valuer, in which we are satisfied with their qualifications and experience, that there are three generally accepted valuation approach, namely the market approach, the cost approach and the income approach.

Regarding the cost approach, the Valuer considered it is not appropriate to be used in the Valuation as in the cost approach, costs refers to the cost to reproduce or replace in new condition the asset valued in accordance with current market prices for similar assets adjusted for accrued depreciation, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The cost approach might not be able to reflect the value contributed from the operation easily, especially, the data center that operates Value-added Cloud Services Business.

Regarding the market approach, the Valuer also considered it not appropriate to be used in the Valuation because the market approach is a high level comparison between the valuation subject and similar assets based on recent transactions in the open market. Since it is not meaningful to compare the services with other data centers in the market, the market approach is not suitable for valuing the Asset.

In determining the valuation of the Asset, the Valuer has adopted the DCF method under the income approach. We are advised by the Valuer that the income approach is the most appropriate approach because the income approach, with the support of historical financial information, it would be easier to reflect the specific characteristics (including costing, cash flows and capital investment, etc.) of the project. As discussed with the Valuer, we note that the Valuer evaluated the major business of the Asset (i.e. the Shenzhen IDC Business and Value-Added Cloud Service Business) during the track record. The first phase of Shenzhen IDC Business was estimated to be operating in full capacity in August 2016 while the second phase of Shenzhen IDC Business was expected to start operating in September 2016 and estimated to operate in full capacity in July 2017. Along with the Shenzhen IDC Business operating in full capacity, the rental income and income from value-added service on public cloud computing to customers of the Shenzhen IDC Business such as connection to public cloud, public cloud platform, and public cloud management will record an year-over-year increase. Besides, when evaluating the Asset, the Valuer also took into account of the future business plan of Baoteng Internet. For this particular case, the Valuer decided the DCF method under the income approach is the most suitable valuation methodology. Considering that the Valuer evaluated the Asset based on (i) the track record period from 2014 — June 2016; (ii) the forecast of the operation capacity in the coming three years; (iii) the cost approach might not be able to reflect the value contributed from the operation; and (iv) the market approach could not provide meaningful comparison for evaluating the Asset. Taking into account the above mentioned, we are of the view that the income approach is suitable for evaluating the Asset since it is the most capable of reflecting the future profitability of the Asset.

When applying the DCF method, the essential elements are (i) the expected earnings streams to be discounted; and (ii) the discount rate (i.e 12.14%). We note that the Valuer has used the Capital Assets Pricing Model ("**CAPM**") to estimate the required rate of return on equity of Baoteng Internet. We understand that the CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required rate of return on equity. In arriving at the discount rate, the Valuer has taken into account a number of factors including (i) risk free rate; (ii) market return; (iii) company specific risk; (iv) beta, a measure of non-diversifiable risk; and (v) the target debt to equity ratio. As discussed the Valuer and reviewed the basis of determining the assumptions and discount rate, we note that the Valuer benchmark the risk premium announced in January 2016 by the Economist, Aswath Damodaran. According to the data in the report of Aswath Damodaran, the risk premium for China was approximately 7%. After taking into account the business scale, location, and historical financial information of the Company with the inflation rate in PRC to determine the discount rate, we are of the view that it is fair and reasonable to determine such discount rate.

We also noted that the Valuation Report has been prepared in accordance with generally accepted valuation procedure. In accordance with the requirements contained in Rule 19.61 of the GEM Listing Rules, the valuation of the Asset by the Valuer based on DCF is regarded as a profit forecast under the GEM Listing Rules.

Furthermore, we have enquired the Valuer as to its independence, and were given to understand that the Valuer has no prior relationship with the Group or connected persons of the Group. We have also reviewed the Valuer's terms of engagement and its scope of work. We were not aware of any irregularities during our interview with the Valuer or in our review of its work. Also, during the course of our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the basis and assumptions adopted for the Valuation and the Valuation is a fair assessment of the market value of the Asset.

Having considered (i) the independence, qualification and experience of the Valuer; (ii) the application of the valuation methods; and (iii) pursuant to Rule 19.61 of the GEM Listing Rules, there is no reason for us to believe any of the information in the Valuation Report is not true or has omitted any material fact. Hence, after due and careful inquiry, we are of the view that the Valuation Report has been reasonably prepared and is usual in nature, that the methodology and assumptions adopted for the Valuation are reasonable and we concurred with the Valuer's opinion. As such, we consider the Valuation Report is a fair reference for the Independent Shareholders to assess the fairness and reasonableness of the market value of the Asset.

Comparison with other comparable companies

As an independent assessment on the fairness and reasonableness of the consideration of the Disposal, we have conducted an analysis through reviewing all the comparable companies listed on the Stock Exchange, based on the principal activities of Baoteng Internet, we have identified 5 companies listed on the Stock Exchange, which are principally engaged in data service, Information Technology infrastructure and software and other value-added services in PRC and Hong Kong ("**PB Comparables**"). While we understand that the financial standings, business performance, future prospects, circumstances in terms of size and principal activities of the PB Comparables may differ from Baoteng Internet, the PB Comparables still provide a general reference to the Independent Shareholders as to the book value among the market players which engaged with similar principal business activities with Baoteng Internet in Hong Kong, the list of PB Comparables is an exhaustive list and we considered that the PB Comparables are fair and representative samples. We have compared the respective price to book ratios of the PB Comparables with the price to book ratios of Baoteng Internet, the price to book ratio reflects the value that market participants attach to a company's equity relative to its book value of equity. Therefore, we consider that the price to book ratio is a good indicator to value the Disposal. The details of which are set out in the table below:

Company name	**Stock code**	**Market capitalisation** *(Note 1)* *(HK$'000)*	**Equity attributable to owners of the PB Comparables** *(Note 2)* *(HK$'000)*	**Price to book ratio** *(times)*
Sunevision Holdings Limited	8008	7,547,721	3,323,245	2.27
Vodatel Networks Holdings Limited	8033	178,186	239,134	0.74
Future Data Group Limited	8229	186,000	71,745	2.59
China Telecom Corporation Limited	728	55,648,414	348,932,570	0.16
Futong Technology Development Holdings Limited	465	316,050	653,658	0.48
			Minimum	0.16
			Maximum	2.59
			Average	1.25

Principal amount of the consideration *(HK$'000)*	**Equity attributable to owners of Baoteng Internet** *(HK$'000)*	**Price to book ratio** *(times)*
565,000	133,069	4.25

Notes:

1. The market capitalization is calculated based on the closing price of the PB Comparables as stated in the website of the Stock Exchange (www.hkexnews.hk) on 1 September 2016, being the date of the Agreement.

2. The equity attributable to owners of the PB Comparables are extracted from their respective latest financial results announcements and/or interim/annual reports.

3. For the purpose of illustration, RMB1.00 equivalent to HK$1.13.

As illustrated in the above table, the price to book ratio of Baoteng Internet under the Disposal is approximately 4.25 times, which is higher than the range of the price to book ratios of the PB Comparables from approximately 0.16 times to approximately 2.59 times and is higher than the average of price to book ratio of the PB Comparables of 1.25 times.

Given that (i) the consideration of the Disposal represents a slight discount of approximately 0.33% to the fair market value of the Asset after taking into account the expected increase of net asset value attributable to the Shareholder of the Disposal of approximately RMB307,240,000 after Completion (tax payable of RMB73,575,000 in relation to the Disposal deducted); (ii) the valuation of the

Asset is fair and reasonable that the determination of the discount rate has taken into account different circumstances and the assumptions for the valuation are similar to the assumption used for DCF method; and (iii) the price to book ratio of Baoteng Internet is higher than the PB Comparables, we are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

Conditions Precedent

The taking effect of the Agreement is subject to the following conditions (the effective date being the date of fulfillment of the last of these conditions):

(a) the approval of the Disposal by the board of directors and shareholders of Zqgame;

(b) the approval of the Disposal by the Board and Shareholders;

(c) the approval of or agreement to the Disposal by the Shenzhen Stock Exchange and other competent authorities (if necessary); and

(d) the Company having complied with requirements under applicable laws, rules and regulations in relation to the Disposal, including the requirement of sufficient level of operations or assets to warrant the continued listing of its shares under Rule 17.26 of the GEM Listing Rules (if necessary).

None of the above conditions is waivable by the Company or Zqgame. There are no conditions precedent to the Completion, but Completion will not take place if the above conditions for taking effect of the Agreement are not fulfilled.

Refund Arrangement

The Company and Zqgame have agreed that if the Agreement fails to take effect, the Company will refund to Zqgame the portion of the consideration received from Zqgame plus the interest on the consideration over the same period. As advised by the Directors, interest rate applied in the refund agreement is calculated as the benchmark interest rate of the People's Bank of China ("**base rate**") quoted at the time of payment of the portion of consideration by Zqgame raised by 10% (base rate*(1+10%)). As suggested by the Company's management, this interest rate is close to the lower range of Company's short-term (within 1 year) bank borrowing rate. As advised by the management of the Company, the first installment of RMB125,000,000 which was paid by Zqgame within 3 Business Days after the signing of the Agreement, and had been used as operating cash flow of the Group instead of deposited into bank as the Company's cash reserve. In light of this, the Company's management agreed to refund the portion of the consideration received from Zqgame plus the interest at the rate close to bank borrowing rate over the same period in case the Agreement is failed.

We note that the rate of Company's short-term bank loans was generally determined with reference to the base rate of about 4.35% annually plus 10% to 20% premium (base rate*(1 + 10% to 20%) which on average was 4.78% to 5.22%. We have reviewed the terms of the short-term bank loans the Company obtained from three banks. We note from the terms that the bank lending interest rate for one-year loan are ranging from a base rate of 4.35% to to 5.75% plus a premium of 10% to 20%. With reference to the above, we note that the interest on the consideration was at the lowest rate of short-term borrowing that the Company was able to obtain.

Having consider that (i) the Company's has utilized the consideration received from Zqgame for in its operation; (ii) bank financing and debt financing will usually incur interest burden on the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks; and (iii) the rate of interest on the consideration is at the lower range of the bank lending interest rates that the Company was able to obtain from banks, we consider that the deposit refund arrangement stated as above is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

Completion

Completion shall take place on a date to be agreed by the Company and Zqgame after the above conditions of the Agreement have been fulfilled.

Payment terms

The cash consideration for the Disposal in the sum of RMB500,000,000 is payable in installments:

(i) 25% of the consideration, being RMB125,000,000, had been paid within 3 Business Days after the signing of the Agreement;

(ii) 26% of the consideration, being RMB130,000,000 shall be paid within 30 days after the Completion; and

(iii) the balance of the consideration, being RMB245,000,000 shall be paid in three annual installments.

At the end of each of the years 2017, 2018 and 2019, a registered accountant, as agreed by the Company and Zqgame, will perform audit of the actual net profit of Baoteng Internet for the relevant year and issue an audit report. Within 30 days after the issue of such audit report in each of 2017 and 2018, Zqgame will pay a portion of the consideration which is calculated by:

(the actual net profit of Baoteng Internet for the corresponding year ÷ the total guaranteed net profit attributable to the shareholders of Baoteng Internet to be generated by the ordinary and usual course of business during the Compensation Period) x 49% x total consideration of the Disposal.

The above means that if Baoteng Internet incurs loss in any of the years in 2017 and 2018, Zqgame will not pay the corresponding portion of consideration of that year. Within 30 days after the issue of the audit report for 2019, Zqgame will pay the balance of the remaining portion of the consideration (if any) to the Company.

The maximum and minimum amounts of the consideration, subject to the guarantee adjustments (details of which are disclosed under the section headed "5. Profit Guarantee Compensation Agreement and the Supplemental Agreement to the Profit Guarantee Compensation Agreement" in this circular), to be received from 2016 to 2019 are illustrated as follows:

Year	Maximum amounts	Minimum amounts
2016	RMB125 million	RMB125 million
2017 *(note 1)*	RMB130 million	RMB130 million
2018	RMB245 million *(note 2)*	RMB0 *(note 3)*
2019	RMB245 million *(note 2)*	RMB0 *(note 3)*
2020	RMB245 million *(note 4)*	RMB0 *(note 5)*

Notes:

1. The Company will receive RMB130 million, the second installment of the consideration, if the Completion takes place in 2017.

2. If Baoteng Internet achieves net profit of RMB110,361,605.80 in 2017 or 2018, the Company will receive RMB245 million in 2018 or 2019 respectively.

3. If Baoteng Internet records a loss in 2017 or 2018, the Company will not receive any corresponding portion of consideration in 2018 or 2019.

4. If there remains any portion of consideration unpaid, the Company will receive the balance of consideration in 2020 after the issue audit report of Baoteng Internet for 2019.

5. If the Company can achieve the total guarantee net profit in either 2017 or 2018, it will not receive any consideration in 2020 because it would have already received the balance of the consideration in full earlier.

We considered that (i) the settlement term of the consideration was agreed by the Company and Zqgame after negotiation; (ii) as advised by the Directors, the Company is confident about the profitability of Baoteng Internet and that the Company will receive the balance of the consideration (i.e. RMB245,000,000) in full earlier; and (iii) as an independent assessment on the fairness and reasonableness of the settlement terms, based on the type of transaction during the recent six months, we have review two samples of similar transaction disclosed in the Shenzhen Stock Exchange as the Disposal has to obtain approval from

CSRC and two samples of similar transaction disclosed in the Stock Exchange. The samples identified and selected are exhaustive and representative samples, which are (a) under the connected transaction in relation to the acquisition entered into by Shenzhen Soling Industrial Co., Ltd ("**SOLING**") (stock code: SZ002766) in December 2016, the consideration for the acquisition of 100% of the equity interest of the target company shall be settled in three years; (b) under the connected transaction in relation to the acquisition entered into by Everfine Corporation ("**EVERFINE**") (stock code: SZ300306) in December 2016, the consideration for the acquisition of 100% of the equity interest of the target company shall be settled in three years; (c) under the disposal entered into by China Evergrande Group ("**EVERGRANDE**") (stock code: 3333) in October 2016, to the consideration for the disposal of non-core businesses of Evergrande and the consideration shall be paid within three years; and (d) under the discloseable and connected transaction in relation to the disposal entered into by China Pioneer Pharma Holdings Limited ("**PIONEER**") (stock code: 1345) in September 2016, the consideration for the disposal of 100% interest in a wholly-owned subsidiary of Pioneer shall be settled within five years. We note that the payment terms are similar to the Company, we are of the view that the settlement terms of the consideration are on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

Non-Competition Undertakings

Background

Given that the transaction for the Disposal was entered into with Zqgame, certain provisions applicable to a company listed on the Shenzhen Stock Exchange in the Standardized Operational Guideline for Listed Companies on the Chinext of the Shenzhen Stock Exchange (amended in 2015). According to the rules, regulations and requirements of PRC, there should not be any competing business interests between a company listed on the Shenzhen Stock Exchange and its controlling shareholders. If such competing interests exist, they are usually resolved through sorting out and making adjustments to the parties' businesses. It is a common practice in PRC corporate disposals involving listed issuers for the vendor to provide a non-competition undertaking to the purchaser.

As at 1 September 2016, the Company and Powerleader Investment respectively held approximately 15.24% and 27.86% of Zqgame's total issued shares, and the ultimate controlling shareholders of the Company and Powerleader Investment are Madam Zhang Yunxia and Mr. Li Ruijie. Therefore, the Company, Powerleader Investment, Madam Zhang Yunxia and Mr. Li Ruijie are considered as connected parties or parties acting in concert with respect to Zqgame under relevant PRC regulation. Hence, the Company is also categorized as one of Zqgame's controlling shareholders.

After the Completion, Zqgame will carry on the Shenzhen IDC Business, while the Group will continue to operate the Guangzhou IDC Business and Speedtop is engaged in the business of resale of internet date center services, a non-competition undertaking by the controlling shareholders of Zqgame is necessary in order for the Disposal to comply with the requirements of the Shenzhen Stock Exchange. Therefore, in order to resolve the competition between the Group and Zqgame in the IDC Business after Completion as required by CSRC, the Company together with Powerleader Investment, Madam Zhang Yunxia, Mr. Li Ruijie and Speedtop executed the Non-Competition Undertakings as part of the arrangements under the Disposal.

Non-Competition Undertakings

Based on the above regulatory requirements and reasons, Mr. Li Ruijie, Madam Zhang Yunxia, Powerleader Investment, the Company and Speedtop entered executed the Non-Competition Undertakings.

The Company Undertakings

The Company has undertaken that with respect to the Guangzhou IDC Business, after the Completion and when the conditions for Guangzhou IDC Business to be injected into Zqgame are met and when there are no actual obstacles to such injection, the Company may carry out negotiations with Zqgame and after reaching and entering into formal agreements inject the Guangzhou IDC Business into Zqgame; and the Company may also terminate the Guangzhou IDC Business or transfer it to an unrelated third party to resolve the competition issue. The Company has also undertaken that save the Group may continue to operate the Guangzhou IDC Business, after the Completion and during the time when it remains to be a controlling shareholder of Zqgame (the Company is categorized as the controlling shareholder of Zqgame as mentioned above), it shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

As advised by the management of the Company, the Shenzhen IDC Business and Guangzhou IDC Business are nearly identical in terms of facilities, except for locating in different region. The construction of the first phase data centre rooms of the Guangzhou IDC Business has completed and has started operating, while the construction of the second phase data centre rooms has not yet commenced. We note that the Guangzhou IDC Business is not mature that the Company cannot inject into Zqgame together with the Shenzhen IDC Business at the moment, therefore, we are of the view that the Company Undertakings is needed to avoid competition upon Completion.

The Speedtop Undertakings

As Speedtop (which is owned by Powerleader Investment and Madam Zhang Yunxia as to 50% each) holds the business qualifications license to carry on IDC business, Powerleader Investment, Mr. Li Ruijie, Madam Zhang Yunxia and Speedtop have given a non-competition undertaking that Speedtop will not carry out IDC Business other than in cooperation with Zqgame, and the revenue of Speedtop in relation to IDC Business (apart from the portion necessary for daily operations) shall belong to Zqgame, and when the conditions for Speedtop to be injected into Zqgame are met and when there are no actual obstacles to such injection, Speedtop will be injected into Zqgame through methods such as acquisition by cash or assets reorganisation. Powerleader Investment, Mr. Li Ruijie, Madam Zhang Yunxia and Speedtop have also undertaken that within 3 years after the Completion, if the competition issue has not been resolved and Zqgame has no intention to acquire Speedtop, Speedtop will terminate its IDC Business or transfer it to an unrelated third party to resolve the competition issue.

Each of the Company, Powerleader Investment, Madam Zhang Yunxia and Mr. Li Ruijie has also undertaken that save for the above, after the Completion and during the time when it/he/she remains to be the controlling shareholder(s) or the de facto controller(s) of Zqgame, it/he/she shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

In view of the above, the Company Undertakings imposes certain restrictions and disadvantages on the development of the Company's business. As advised by the Directors, the construction of the first phase data centre rooms of the Guangzhou IDC Business has completed, while the construction of the second phase data centre rooms has not yet commenced. The Guangzhou IDC Business only has its 1st Phase completed for a relatively short period and has not yet generated any profit. Under the Company Undertakings, given that if a new business opportunity arises after the Completion which is likely to compete, either directly or indirectly, with the business of Baoteng Internet, the Company is not allowed to take such new business opportunity.

Taking into account the abovementioned disadvantages imposed by the Company Undertakings for the Company and Shareholders, we consider that (i) the Company Undertakings is required by the Shenzhen Stock Exchange for connected transactions; (ii) by providing the Company Undertakings would enable the Disposal to be completed and the interest of Shareholders can be safeguarded; (iii) the Company Undertakings could provide Zqgame incentive to acquire Baoteng Internet, from which the Company can capture the business opportunity for disposing Shenzhen IDC Business and focus on developing the MaaS Business; (iv) the Company maintains its right to operate the Guangzhou IDC Business in the foreseeable future and the right reserved to dispose of the Guangzhou IDC Business to Zqgame or an unrelated third party; and (v) the

Company is holding approximately 15.24% of Zqgame's total issued shares that the Company can still enjoy the profit generated by the IDC Business even though the Company is not allow to carry out the business on their own, we note that entering into the Company Undertakings may not have immediate advantages to the Company and Shareholders, however, the Company Undertakings would also not have a material adverse effect to the Group as the Company intends to move away from IDC Business given the high development and maintenance costs. After Completion, the Company could expand the MaaS Business by (i) investing the consideration received from Zqgame; and (ii) investing the funds used to invest in IaaS Business, to generate higher revenue. Therefore, we are of the view that entering into the Company Undertakings is to the benefit of the Company and Shareholders as a whole.

Taking into account the reasons and benefits of the Disposal and the necessity of granting the Company Undertakings as set out above, we are of the view that the Disposal and the grant of the Company Undertakings are common practice in PRC, the terms of the Company Undertakings are fair and reasonable and in the interest of the Company and Shareholders as a whole.

We have reviewed other major terms of the Agreement, the Asset Transfer Agreements and the Company Undertakings, we are of the view that the Agreement and the transactions contemplated thereunder, including the payment terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. Principal terms of the Profit Guarantee Compensation Agreement

On 1 September 2016, the Company and Zqgame also entered into the Profit Guarantee Compensation Agreement, pursuant to which the Company guaranteed to Zqgame that the audited net profit attributable to shareholders of Baoteng Internet after deducting extraordinary items in the consolidated accounts for the financial years ending 31 December 2017, 2018 and 2019 (the "**Compensation Period**") in aggregate will not be lower than RMB110,361,605.80. Details regarding the terms of the Profit Guarantee Compensation Agreement are set out below:

Profit Guarantee Compensation

Pursuant to the Profit Guarantee Compensation Agreement, a registered accountant, as agreed by the Company and Zqgame, will perform audit of Baoteng Internet at the end of the Compensation Period in accordance with the China Accounting Standards for Business Enterprises (which is the accounting standards adopted by the Company for its consolidated financial statements). If based on the audited report, the actual net profit of Baoteng Internet cannot achieve the guaranteed net profit at the end of the Compensation Period, the Company will pay the Profit Guarantee Compensation in cash to Zqgame which is calculated as follows:

(the guaranteed net profit during the Compensation Period – the actual cumulative net profit as at the end of the Compensation Period) ÷ the guaranteed net profit attributable to the shareholders of Baoteng Internet to be generated by the ordinary and usual course of business during the Compensation Period × the total consideration of the Disposal

Asset Impairment Compensation

At the end of the Compensation Period, an accountancy firm with securities business qualification as recognized by the Company and Zqgame, will perform an asset impairment test on Baoteng Internet for the Compensation Period in accordance with the China Accounting Standards for Business Enterprises and issue its audit opinion. If the amount of asset impairment of Baoteng Internet at the end of the Compensation Period is larger than the total Profit Guarantee Compensation paid by the Company, the Company will be required to pay the Asset Impairment Compensation in cash to Zqgame in addition to the Profit Guarantee Compensation which is calculated by:

the amount of asset impairment of Baoteng Internet as at the end of the Compensation Period – the cash compensation amount previously paid under the Profit Guarantee Compensation.

The amount of asset impairment as at the end of the Compensation Period shall be arrived at by the consideration of the Disposal net of the appraised value of the Subject Assets at the end of the Compensation Period, not taking into account any capital increase and/or reduction, donations received and profits distribution in Baoteng Internet during the Compensation Period.

If however the actual net profit of Baoteng Internet achieves or exceeds the guaranteed net profit during the Compensation Period, the Company will not be required to pay the Asset Impairment Compensation to Zqgame.

Each of the Profit Guarantee Compensation and/or Asset Impairment Compensation amounts can be offset with the consideration receivable under the Disposal.

Supplemental Agreement to the Profit Guarantee Compensation Agreement

On 1 March 2017, the Company, Zqgame, Mr. Li Ruijie and Ms. Zhang Yunxia entered into the Supplemental Agreement to the Profit Guarantee Compensation Agreement, pursuant to which the parties agreed the maximum amount of the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company will not be more than RMB110,361,605.80, and the portion of the Profit Guarantee Compensation and the Asset Impairment Compensation in excess of such limit will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia, who together indirectly hold 42.05% interest in the Company.

The Profit Guarantee Compensation Agreement (as amended by Supplemental Agreement to the Profit Guarantee Compensation Agreement) will take effect on the same day as the taking effect of the Agreement, which is conditional upon, among others, approval by the Shareholders.

We have obtained and reviewed the management account of Baoteng Internet, the net profit for the year ended 31 December 2016 was recorded approximately RMB13.23 million, represents an increase of approximately 1,845.59%, when compared to the net profit of approximately RMB0.68 million for the year ended 31 December 2015. In addition, as reviewed the Valuation Report and discussed with the Valuer, the operation of Shenzhen IDC Business was still in the beginning stage in 2016. It is expected that the first phase and second phase of Shenzhen Guanlan Internet Data Center will be fully loaded in July 2017. Since then, the cabinet lease and bandwidth incomes will be increase year by year with the addition of powered charging cabinets in data centers. Hence, the net profit for the coming years is expected to be increased and the guaranteed profit is likely to be achieved.

Having consider that (i) the profit guarantee and asset impairment compensation are the requirements of the China Securities Regulatory Commission under the PRC law; (ii) the compensation arrangement reflects the value of Baoteng Internet after considering expected growth and future profitability of Baoteng Internet; (iii) increase incentive of Zqgame for acquiring the Baoteng Internet, we are of the view that compensation arrangement is necessary; and (iv) the maximum amount of the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company is capped at RMB110,361,605.80 which does not exceed the profit guarantee amount stated in the Profit Guarantee Compensation Agreement (as amended by Supplemental Agreement to the Profit Guarantee Compensation Agreement), we are of the view that the Profit Guarantee Compensation is on normal commercial terms, and that its terms are fair and reasonable and will be in the interest of the Company and Shareholders as a whole.

FINANCIAL EFFECTS ON THE DISPOSAL

Assets and liabilities

As disclosed 2016 Annual Report, the net asset value of the Group amounted to RMB859,509,000 as at 31 December 2016. As at 31 December 2016, the assets under the Disposal had a net asset value of approximately RMB157,171,000. The assets under the Disposal will be excluded from the Group's financial statements, and the Company will receive a cash inflow of RMB500,000,000 from the Disposal, it is expected that after Completion, the net asset value of the Group will increase by approximately RMB259,754,000. Such increase in net asset value is calculated as follows: consideration of the Disposal (RMB500,000,000) – investment cost (RMB9,500,000) – net asset value of Target Assets (approximately RMB157,171,000) – income tax payable in respect of the Disposal (RMB73,575,000).

As disclosed in the 2016 Annual Report, the Group had total liabilities of approximately RMB1,931,301,000 as at 31 December 2016. The Target Assets recorded total liabilities of approximately RMB24,686,000 as at 31 December 2016. It is expected that after the Completion, the liabilities of the Target Assets will be excluded from the Group's financial statements, and the tax payable in relation to the Disposal will be approximately RMB73,575,000. It is expected that the total liabilities of the Group will decrease by approximately 1.28%. Such percentage decrease is calculated as follows: Total liabilities of the Target Assets (approximately RMB24,686,000) ÷ Total liabilities of the Group (approximately RMB1,931,301,000) x 100%.

Earnings

As disclosed in the 2016 Annual Report, for year ended 31 December 2016, the Group recorded a net profit attributable to shareholders of the Company of approximately RMB33,356,000. For the year ended 31 December 2016, the Target Assets recorded a net profit attributable to shareholders of the Company of approximately RMB13,379,000. After the Completion, the net profit attributable to shareholders of the Company contributed by the Target Assets will be excluded from the Group's financial statements, the Disposal will result in an investment income of RMB500,000,000. The long-term equity investment cost of the Group to the Disposal is RMB9,500,000 and its reserve for profits tax is RMB73,575,000 (calculated based on the 15% corporate income tax rate of the Company).

Cash Position

As the entire consideration for the Disposal will be settled in cash, without taking into account the potential cash flow effects arising from the Profit Guarantee Compensation, the cash and cash equivalent balance of the Group will be increased by the cash consideration from the Disposal according to the respective payment schedules.

RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular:

(i) the Disposal allows the Group to focus on the MaaS Business and could further enhance the Group's revenue sources to bring maximized returns to its Shareholders;

(ii) the consideration of the Disposal is fair and reasonable as far as the Company and the Shareholders are concerned; and

(iii) the Disposal would generate positive financial impacts and improve the financial position of the Group.

We are of the view that the terms of Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement, the Supplemental Agreement to the Profit Guarantee Compensation Agreement and the grant of the Company Undertakings, are fair and reasonable, on normal commercial terms, and the entering into the of these agreements and the transactions contemplated thereunder is in the interest of the Company and 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 ordinary resolutions to be proposed at the EGM to approve the Agreement, the Asset Transfer Agreements, the Profit Guarantee Compensation Agreement, the Supplemental Agreement to the Profit Guarantee Compensation Agreement and the grant of the Company Undertakings and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2017, the Group had outstanding indebtedness:

	As at 30 April 2017 *RMB*
Non-current	**130,764,527.00**
Finance lease payable	24,764,527.00
Long-term borrowings	106,000,000.00
Less: 1-year due loan	36,000,000.00
Sub-total	70,000,000.00
Current	**1,378,806,451.00**
Short-term borrowings due within one year	1,198,806,451.00
Notes payables	180,000,000.00
Total	**1,509,570,978.00**

Details of the bank borrowings and other secured, guaranteed or unsecured borrowings are set out below:

	As at 30 April 2017
Secured borrowings	446,000,000.00
Guaranteed borrowings	1,038,806,451.00
Unsecured borrowings	—
Total	**1,484,806,451.00**

As at 30 April 2017, the Group had a total of RMB1,695,200,000 available bank credit lines, of which approximately RMB210,393,500 had not been utilized.

Save as disclosed above, at the close of business on 30 April 2017, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this Circular, apart from intra-group liabilities, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. The Directors confirm that, as at the Latest Practicable Date, there has been no material change in indebtedness of the Group.

CONTINGENT LIABILITIES AND GUARANTEES

Saved as disclosed above, at the close of business on 30 April 2017, the Group did not have any outstanding loan capital or bank overdrafts, or hold any liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or acceptance credits, or guarantees, or other contingent liabilities. The Directors confirm that, as at the Latest Practicable Date, there has been no material change in the contingent liabilities and guarantees of the Group.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the effects of the Disposal; the existing financial resources available to the Group and the Group's internally generated funds (including the Disposal up to date of Completion), the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

(A) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from ShineWing Certified Public Accountants LLP, Certified Public Accountants, the PRC, prepared for the purpose of incorporation in this circular.

信永中和
ShineWing

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ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 深圳市宝腾互聯科技有限公司 (SHENZHEN BAOTENG INTERNET TECHNOLOGY LIMITED*, "BAOTENG INTERNET")

TO THE DIRECTORS OF POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by 沃克森(北京)國際資產評估有限公司 (Vocation (Beijing) International Assets Appraisal Co., Ltd.*) dated 30 August 2016 (the "**Valuation**") in respect of Baoteng Internet. The Valuation is in connection with the proposed transfer of the Shenzhen IDC Business and the Value-Added Cloud Services Business of Powerleader Science & Technology Group Limited (the "**Company**") to Baoteng Internet at nil consideration and the proposed disposal of the entire equity interest in Baoteng Internet by the Company to 深圳中青宝互動網絡股份有限公司 (Shenzhen ZQGAME Co. Ltd.*), as set out in the Company's circular dated 9 June 2016 (the "**Circular**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.62(2) of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Project.

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

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

ShineWing Certified Public Accountants LLP
Beijing, China
9 June 2017

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

(B) LETTER FROM THE BOARD

9 June 2016

The Stock Exchange of Hong Kong Limited,
11th Floor, One International Finance Centre,
1 Harbour View Street,
Central,Hong Kong

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SHENZHEN IDC BUSINESS AND THE VALUE-ADDED CLOUD SERVICES BUSINESS

(2) CONNECTED TRANSACTION IN RELATION TO THE GRANT OF THE NON-COMPETITION UNDERTAKINGS

We refer to the circular of the Company dated 9 June 2017 (the "**Circular**") and the valuation of the market value of the entire interest in Shenzhen Baoteng Internet Technology Limited* (深圳市宝騰互聯科技有限公司), a company established in the People's Republic of China, by Vocation (Beijing) International Assets Appraisal Co., Ltd ("**Valuer**") as at 30 June 2016 (the "**Valuation**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Circular.

We understand that in accordance with Rule 19.61 of the GEM Listing Rules, the income approach adopted by the Valuer has rendered the Valuation a profit forecast ("**Profit Forecast**") under the GEM Listing Rules.

We have reviewed and discussed with the Valuer the basis and assumptions of the Valuation. We have also considered the letter dated 9 June 2017 issued by ShineWing Certified Public Accountants LLP addressed to us in relation to the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based.

We hereby confirm that the Profit Forecast has been made after due and careful enquiry.

By Order of the Board
Zhang Yunxia
(張雲霞)
Chairman

* *For identification purpose only*

Certified Public Valuer's Statement

1. We have observed the relevant laws, regulations and standards on assets valuation and adhered to the principles of independence, objectivity and impartiality in this asset valuation. According to the facts we acquired in our execution and to the best of our knowledge, all statement in the valuation report is objective and we assume legal responsibilities for the reasonableness on the conclusion of the valuation.

2. The assets, balance sheet, historical operation results, profit forecasts and relevant legal title information of the valuation object are provided and confirmed by signing by the client and entity evaluated. It is the responsibility of the client and related parties to provide necessary information and ensure the information provided is true, legal and complete and the valuation report is appropriately used.

3. We do not have any interests in the valuation object of the valuation report and we do not have any interests in or prejudices against any related parties.

4. We have conducted spot check on the valuation object of the valuation report and given due consideration to its legal title status and examined the relevant information regarding its legal title. However, no assurance has been given as to the legal title of the valuation object. As for issues noted during the course of examination, we have required the entity evaluated to perfect its titles and have disclosed the issues we noted.

5. The analyses, judgments and conclusions made in the valuation report issued by us are subject to the assumptions and restrictions in the valuation report. Users of the valuation report shall pay due attention to the assumptions, restrictions and special notes and their impact on the valuation conclusion.

6. Valuation on the value of the valuation object conducted and professional opinions expressed by us shall be used as reference for the implementation of economic activities. The valuation report issued by us and the valuation conclusion disclosed herein are for the stated purposes set out herein only and can only be used within the validity period of the valuation conclusion. We do not assume responsibility for any consequences arising from inappropriate use of the valuation report.

Valuation Report on Total Equity of Shenzhen Baoteng Internet Technology Limited in Relation to Proposed Acquisition of its Equity Interests by Shenzhen ZQGAME Co. Ltd.

(Summary) Vocation PBZ [2015] No. 0879

Important Notice

The following content is extracted from the text of the valuation report. Please read the text of the valuation report to learn about the detailed information of this valuation project and to have a reasonable understanding of the valuation conclusions.

Vocation (Beijing) International Assets Appraisal Co., Ltd. was engaged by Shenzhen ZQGAME Co. Ltd. to conduct valuation work on the market value of the total equity interests of Shenzhen Baoteng Internet Technology Limited as at the Benchmark Date pursuant to necessary valuation procedures in accordance with relevant laws, regulations, assets valuation standards and principles. The valuation report is hereby summarized as follows:

I. Client and Entity Evaluated

Client: Shenzhen ZQGAME Co. Ltd.

Entity evaluated: Shenzhen Baoteng Internet Technology Limited

II. Purpose of Valuation

Shenzhen ZQGAME Co. Ltd. proposes to acquire the equity interests in Shenzhen Baoteng Internet Technology Limited for which this valuation provides a reference of its value.

III. Object and Scope of Valuation

The valuation object is the total equity interests in Shenzhen Baoteng Internet Technology Limited as at the Benchmark Date.

The specific scope of valuation includes all assets and liabilities of Shenzhen Baoteng Internet Technology Limited as at the Benchmark Date. The assets and liabilities to be evaluated are those as declared by the entity evaluated on the Benchmark Date.

IV. Benchmark Date

The Benchmark Date is 30 June 2016.

V. Valuation Approaches

The asset-based approach and income approach were adopted for this valuation.

VI. Type of Value

The market value was adopted as the type of value for this valuation.

VII. Valuation Conclusions

The asset-based approach and income approach were adopted for this valuation. The certified public valuer, after making reasonable analysis, has eventually arrived at the following conclusions:

According to the income approach, the appraised value of total equity interests of Shenzhen Baoteng Internet Technology Limited was RMB501,660,100, representing an appreciation of RMB383,900,300 and an appreciation rate of 326% when compared to the book value of net assets.

This valuation report is for reference only for the users listed in the letter of engagement for the purpose of this valuation and shall not be deemed as a guarantee for the realisable price of the object evaluated. The Client and relevant users of this valuation report are advised to take into account the condition of assets and market conditions and other factors at the time of carrying out the purpose of the valuation on top of making reference to and analyzing the valuation conclusions, in order to make reasonable decisions.

This valuation report and the valuation conclusions as disclosed herein shall only be used for the purposes of valuation as stated herein and within the validity period of this valuation report. The valuation institution and certified asset valuer shall not take responsibility for any consequences arising from inappropriate use of this valuation report.

When applying the valuation conclusions, users of this valuation report shall pay attention to the impact of "Special Notes" set out in this report on the valuation conclusions and be aware of the valuation assumptions and prerequisites in arriving at the valuation conclusions.

According to relevant regulations, the conclusions of this valuation report shall be valid for one year from the Benchmark Date and revaluation is required after one year.

Valuation Report on Total Equity of Shenzhen Baoteng Internet Technology Limited in Relation to Proposed Acquisition of its Equity Interests by Shenzhen ZQGAME Co. Ltd.

(Full Text)
Vocation PBZ [2016] No. 0879

Shenzhen ZQGAME Co. Ltd.:

Vocation (Beijing) International Assets Appraisal Co., Ltd. was engaged by the Company (i.e. Shenzhen ZQGAME Co., Ltd.) to conduct valuation work on the market value of the total equity interests in Shenzhen Baoteng Internet Technology Limited as at the Benchmark Date through necessary valuation procedures and in accordance with relevant laws, regulations, assets valuation standards and rules. The valuation results are hereby reported as follows:

I. PARTICULARS OF THE CLIENT AND ENTITY EVALUATED AND OTHER USERS OF THE VALUATION REPORT

(I) Client

Corporate Name:	Shenzhen ZQGAME Co. Ltd. (hereinafter referred to as Zqgame)
Registered Address:	Room A1, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen
Legal Representative:	Li Ruijie
Stock Code:	300052
Listing Date:	11 February 2010
Registered Capital:	RMB261,038,600
Type of Ownership:	Joint Stock Company (Listed)
Date of Establishment:	22 July 2003
Credit Code:	914403007525245953

(II) Entity evaluated

1. Particulars

Corporate Name:	Shenzhen Baoteng Internet Technology Limited (hereinafter referred to as Baoteng or the Company)
Registered Address:	Room 401, 4/F, Baode R&D Center, Guanlan High-tech Park, Guanlan Street, Longhua New District, Shenzhen
Legal Representative:	Ma Zhumao
Registered Capital:	RMB10 million
Economic Nature:	Limited Liability Company (solely owned by legal person)
Date of Establishment:	8 October 2003
Term of Operation:	8 October 2003 to 8 October 2023
Business Registration Number:	440306103599524
Scope of Business:	Information Technology Products, Communication Technology Products, Consumer Electronics and Research & Development and Sales of Software and Hardware of Internet Technology Products as well as property management.

2. Profile and shareholding structure of the entity evaluated and status of changes

2.1 Company profile

Baoteng Internet was established on 8 October 2003 with the registration number of 440306103599524. It now has a registered capital of RMB10 million and the equity interests of which are 100% held by Powerleader Science & Technology Group Limited (hereinafter referred to as "**Powerleader Science & Technology**"). The Company operates in the electronics and computers industries and is principally engaged in the provision of Internet Data Centre (IDC) service and value-added service business.

Baoteng Internet's IDC business was originally funded and operated by Powerleader Science & Technology and various telecom operators. Due to this acquisition, Shenzhen (Guanlan)'s IDC business and value-added service business were disposed by Powerleader Science & Technology to Baoteng Internet.

IDC refers to a service platform which occupies advanced equipment and offers professional management, comprehensive applications and services. IDC service providers are able to offer basic internet platform services and various value-added services through such platform for enterprises and clients such as ISP, ICP and ASP, mainly including co-location (lease of slots, rack and VIP room), lease of resources (such as hosting business, data storage service), system maintenance (system configuration, data backup and troubleshooting services), management services (such as bandwidth management, flow analysis, load balancing, intrusion detection, system vulnerability diagnosis), and other service support and operations services, etc.

IDC value-added services are those based on the relevant solutions provided by data centers, including operations and maintenance outsourcing and IDC cloud.

Operations and maintenance outsourcing mainly refers to outsource the daily operations and maintenance of infrastructures such as electricity, refrigeration, security and network in data centers upon the completion of overall construction of data centers by customers, and the daily operations and maintenance are undertaken by the outsourcing service providers. The scale of outsourcing project is determined by the quantity of infrastructures in data centers and the difficulty of operation and maintenance and the relevant total workload is accounted and the number of operation and maintenance personnel is estimated according to appropriate SLA, with the payments made per capita. In addition, Baoteng Internet may also provide additional value-added services, such as assisting customers in optimizing power system and saving electricity expenses through green energy-saving package solutions. The payments for additional services are separately calculated on a project-by-project basis.

IDC cloud refers to the connection of the enterprise' self-purchased servers into several virtual host clusters with fragmented cabinets of its self-owned machine room, and then lease out such virtual host clusters. Cloud computing is based on the addition, use and delivery modes of Internet-related services to provide resources with easy dynamic propagation and frequent virtualization through the Internet. Cloud computing services are realized in combination with virtualization technology and on the basis of integrated data center network, and the network infrastructures such as switches, routers, application delivery equipment has made an important contribution to build data interaction platform for cloud computing services.

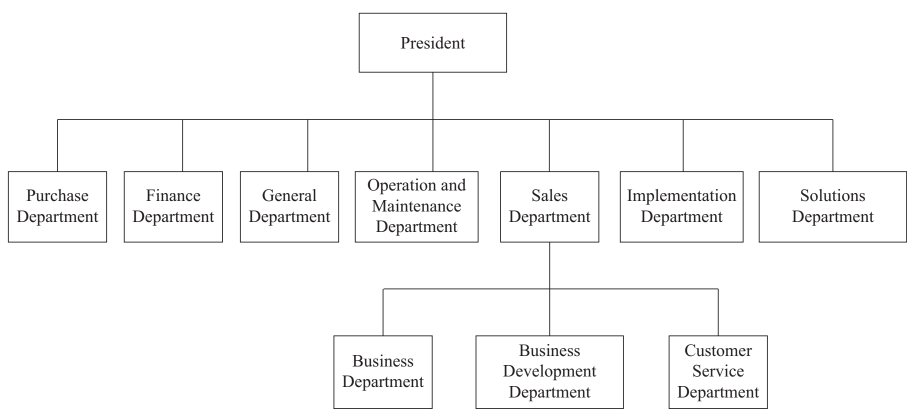
Enterprise may directly provide external users with services through its own infrastructures, while external users may only access services via the Internet rather than owning the cloud computing resources. Cloud computing provides the most reliable and secure data storage center, so users have no worry about troubles such as data loss and virus invasion.

2.2 Operating and management structure

As at the Benchmark Date, Baoteng Internet had a total of approximately 35 employees, which was mainly employed by the Guanlan Data Center Phase I and Phase II as well as operating and maintenance service center.

The Company has established the following departments, including purchase department, finance department, general department, operation and maintenance department, sales department and implementation department and other departments.

Set out below is the organization chart of the Company:



2.3 Establishment and changes in shareholding structure of the Company

Baoteng Internet (formerly known as Shenzhen Baoteng Computer Technology Co., Ltd.) was jointly established in October 2003 by Powerleader Science & Technology and Shenzhen Xindingtong Industry Co., Ltd. (hereinafter referred to as Xindingtong Industry) by way of capital contribution of RMB1 million in cash, of which Powerleader Science & Technology and Xindingtong Industry contributed RMB900,000 and RMB100,000 respectively, representing 90% and 10% of the registered capital of the Company respectively. The capital contribution had been verified by Shenzhen Zhong Fa Certified Public Accountants and Capital Verification Report (SZFYZ [2003] No. 0655) was issued.

On 17 February 2006, Baoteng Internet convened a general meeting and a resolution was unanimously passed by all of its shareholders at such meeting, pursuant to which the capital contribution of RMB100,000 held by Xindingtong Industry in Baoteng Internet would be transferred to Shenzhen Baode Holding Company Limited (hereinafter referred to as "Baode Holding"). A share transfer agreement had been entered into by Xindingtong Industry and Baode Holding. After the completion of the share transfer, Baoteng Internet was owned as to 90% and 10% by Powerleader Science & Technology and Baode Holding respectively.

On 2 March 2006, Baoteng Internet convened a shareholders' general meeting and a resolution was unanimously passed by all of its shareholders at such meeting to increase its registered capital from RMB1 million to RMB10 million. Of which, RMB6.60 million and RMB2.40 million would be contributed in cash by Powerleader Science & Technology and Baode Holding respectively. After the completion of increase of registered capital, Powerleader Science & Technology contributed a total of RMB7.50 million, representing 75% of the registered capital of Baoteng Internet, while Baode Holding contributed a total of RMB2.50 million, and representing 25% of the registered capital of Baoteng Internet. The capital contribution had been verified by Beijing Zhonglian Certified Public Accountants Shenzhen Branch and Capital Verification Report (ZLSSYZ (2006) No. 019) was issued.

On 5 August 2009, Baoteng Internet convened a general meeting and a resolution was unanimously passed by all of its shareholders at such meeting, pursuant to which the capital contribution of RMB2.40 million held by Baode Holding in Baoteng Internet would be transferred to Powerleader Science & Technology. A share transfer agreement had been entered into by Baode Holding and Powerleader Science & Technology.

On 16 November 2009, Baoteng Internet convened a general meeting and a resolution was unanimously passed by all of its shareholders at such meeting, pursuant to which the capital contribution of RMB2.40 million held by Powerleader Science & Technology in Baoteng Internet would be transferred to Baode Holding. A share transfer agreement had been entered into by Powerleader Science & Technology and Baode Holding.

On 29 March 2011, Baoteng Internet convened a general meeting and a resolution was unanimously passed by all of its shareholders at such meeting, pursuant to which the capital contribution of RMB2.50 million held by Baode Holding in Baoteng Internet would be transferred to Powerleader Science & Technology. A share transfer agreement had been entered into by Baode Holding and Powerleader Science & Technology.

The following table set forth the shareholders' capital contribution and shareholding structure of Baoteng Internet as of the Benchmark Date:

No.	Name of Shareholder	Amount of Contribution *(in RMB0'000)*	Percentage
1	Powerleader Science & Technology Group Limited	1,000.00	100.00%
		1,000.00	100.00%

3. *Assets, profit and loss of entity evaluated in recent years*

Unit: RMB0'000

Items	As at 31 December 2014	As at 31 March 2015	As at 30 June 2016
Total assets	7,998.73	8,161.45	17,052.28
Liabilities	441.54	635.63	5,276.30
Net assets	7,557.19	7,525.82	11,775.98

Items	2014	2015	From January to June 2016
Revenue from main operations	476.40	2,760.79	2,061.59
Gross profit	–323.63	104.59	507.90
Net profit	–232.76	67.70	369.86

Notes:

(1) The statement above is a simulated financial statement.

(2) The simulated historical annual financial data has been audited by ShineWing CPA Limited (Special General Partnership) with unqualified opinion stated in their previous issued auditor's report.

4. Relationship between the client and entity evaluated

The client proposed to acquire the equity interest in the entity evaluated.

(III) Users of valuation report other than the client

This valuation report is intended to be used by the client and users stipulated by national laws and regulations for the purpose of this valuation. Unless otherwise specified by national laws and regulations, any entities or individuals not recognized by the valuation institution or the client shall not be deemed as users of the valuation report simply due to receipt of the valuation report.

II. PURPOSE OF VALUATION

Zqgame proposes to acquire the equity interests in Baoteng Internet for which this valuation provides a value reference.

III. OBJECT AND SCOPE OF VALUATION

(I) Object and Scope of Valuation

The valuation object is the total equity interests in Baoteng Internet as at the Benchmark Date.

The specific scope of valuation includes all assets and liabilities of Baoteng Internet as at the Benchmark Date. The assets and liabilities to be evaluated are those as declared by the entity evaluated on the Benchmark Date. The scope of valuation is detailed in the table below:

Summarized Declaration Form for Valuation

Unit: RMB0'000

Items	**30 June 2016**
Current assets	5,394.27
Non-current assets	11,658.01
Of which: Fixed assets	6,220.57
Construction in progress	5,372.36
Intangible assets	55.60
Deferred income tax assets	9.48
Total assets	**17,052.28**
Current liabilities	5,276.30
Non-current liabilities	—
Total liabilities	**5,276.30**
Net assets (Owners' equity)	**11,775.98**

Specific scope of valuation is subject to the declaration form submitted by the entity evaluated. Assets and liabilities not included in the assets declaration form have not been taken into consideration. The client and entity evaluated undertake that the assets and liabilities within the scope of valuation are identical with those involved in the related economic activities without any repetition or omission. There is no restriction which shall affect the appraisal value.

(II) Status and features of tangible assets of relatively material value within the scope of valuation

The entity evaluated mainly has in its plants the following kind of tangible assets: machinery equipment and electronic equipment.

1. Machinery equipment: mainly represents the equipment installed in the IDC room in Guanlan, which is of high value, mainly including chillers, busbars, cabling system and installation works for various kinds of equipment. The machinery equipment is mainly distributed within the IDC room in Guanlan. Currently, the IDC room has delivered reliable performance and stable quality and is in good operating condition.

2. Electronic equipment: mainly including servers, switches, projectors, desktop computers and office facilities. Electronic equipment is mainly distributed in different departments and machine room, all of which are in good and normal operating condition.

3. Construction in progress: mainly represents construction projects in machine room phase II in Guanlan, mainly including environment protection project for diesel generator, construction of cabling system and other facilities. Construction has commenced in December 2015 and is expected to be completed in August 2016.

(III) Intangible assets recorded or not yet recorded in the accounts submitted by the entity evaluated

As at the Benchmark Date, intangible assets reported by the entity evaluated for valuation were business management software which has been recorded in its accounts and software copyrights and domain names which have not been not recorded in its accounts.

Particulars of software copyrights and domain names are as follows:

1. A total of 7 software copyrights were developed by Baoteng Internet, details of which are as follows:

No.	Name	Date of Initial Publication	Application No.	Method of Acquisition
1	High-performance Acquisition Software V1.0	7 May 2009	2009SR034708	Original acquisition
2	SNS User Interaction Platform V1.0	16 July 2009	2009SR034709	Original acquisition
3	Data Mining Software V1.0	9 April 2009	2009SR034706	Original acquisition
4	Intelligent DNS Software V1.0	10 April 2009	2009SR034707	Original acquisition
5	Network Monitoring Software V1.0	11 June 2009	2009SR034700	Original acquisition
6	Private Car Body Advertising Platform V1.0	16 July 2009	2009SR034705	Original acquisition
7	Baode Log Management System Software V1.0	20 February 2014	2014SR142752	Original acquisition

2. Domain names

Baoteng Internet has applied for a total of 8 domain names, details of which are as follows:

Domain Name	Owner	Date of Registration	Date of Expiration
plcdn.cn	Shenzhen Baoteng Internet Technology Limited	2014-10-24	2016-10-24
plcdn.com.cn	Shenzhen Baoteng Internet Technology Limited	2014-10-24	2016-10-24
plcdn.net	Shenzhen Baoteng Internet Technology Limited	2014-10-24	2016-10-24
powerleadercdn.com	Shenzhen Baoteng Internet Technology Limited	2014-3-21	2019-3-21
powerleaderidc.cn	Shenzhen Baoteng Internet Technology Limited	2013-7-11	2018-7-11
powerleaderidc.com	Shenzhen Baoteng Internet Technology Limited	2013-7-11	2018-7-11
powerleaderidc.net	Shenzhen Baoteng Internet Technology Limited	2013-7-11	2018-7-11
powerleaderidc.com.cn	Shenzhen Baoteng Internet Technology Limited	2013-7-11	2018-7-11

(IV) Type and quantity of off-balance sheet assets submitted by the entity evaluated

As at the Benchmark Date, off-balance sheet assets submitted by the entity evaluated were software copyrights and domain names as mentioned above.

(V) Reference to reports issued by other institutions

No reference has been made to any reports issued by other institutions other than the auditing report.

IV. TYPE AND DEFINITION OF VALUE

According to the purpose of this valuation and characteristics of the valuation object, after taking into account the market condition, conditions of the valuation object and assumptions of valuation, it is determined that the type of value adopted for this valuation is market value.

The valuation of the market value of total equity interests in the entity evaluated as at the Benchmark Date is under going concern assumption. Market value refers to the estimate amount of the entity evaluated as at the Benchmark Date in a normal arm's length transaction that the free-will buyer and free-will seller conduct a transaction rationally not subject to duress.

V. BENCHMARK DATE

The Benchmark Date is 30 June 2016.

The Benchmark Date is determined by the client after taking into account such factors as the timing of economic activities, financial accounting of entity evaluated and completeness of accounting information.

VI. BASIS OF VALUATION

The valuation bases followed by us include the basis of laws and regulations, basis of economic acts, basis of ownership and basis of pricing:

(I) Principal laws and regulations

1. Company Law of the People's Republic of China;

2. Property Law of the People's Republic of China;

3. Enterprise Income Tax Law of the People's Republic of China (No.63 Order of the President of the PRC);

4. Implementing Rules for Provisional Regulations of the People's Republic of China on Value-added Tax (No.50 Order of the SAT and Ministry of Finance);

5. Other applicable laws and regulations related to the valuation.

(II) Basis of valuation standards

1. Standard for Assets Appraisal-General Principle (CAIQI [2004] No. 20);

2. Ethic Standard for Assets Appraisal General Principle (CAIQI [2004] No. 20);

3. Ethics of Standard for Assets Appraisal-Independence (CAS [2012] No. 248);

4. Guidelines on Internal Governance of Appraisal Firms (CAS [2010] No. 121);

5. Guidelines on Quality Control of Valuation Engagements of Appraisal Firms (CAS [2010] No. 214);

6. Guide Note for Type of Value of Assets Evaluation (CAS [2007] No. 189);

7. Guiding Opinions for Certified Public Valuer on Legal Ownership of Valuation Object (CICPA [2003] No. 18);

8. Standard for Assets Appraisal- Evaluation Report (CAS [2011] No. 230);

9. Standard for Assets Appraisal- Evaluation Procedure (CAS [2007] No. 189);

10. Standard for Assets Appraisal- Engagement Letter (CAS [2011] No. 230);

11. Standard for Assets Appraisal-Working Paper (CAS [2007] No. 189);

12. Standard for Assets Appraisal- Equipment (CAS [2007] No. 189);

13. Standard for Assets Appraisal-Intangible Assets (CAS [2008] No. 217);

14. Standard for Assets Appraisal- Enterprise Value (CAS [2011] No. 227).

(III) Certificates of title and major contracts and agreements

1. Major equipment purchase contracts, engineering settlement paper, project (equipment) completion inspection reports and etc.;

2. Payment vouchers for material assets;

3. Material sales and purchase contracts;

4. Other title certificates.

(IV) Basis of determination of prices

1. Mechanical and Electronical Products Pricing System (WWW.mepfair.com);

2. Commonly Used Data and Coefficient Handbook in Assets Valuation (China Machine Press);

3. Major equipment contracts and project settlement documents;

4. Treasury bond rates and bank lending rates and other price information;

5. Product sales contracts or agreements of the entity evaluated;

6. Information from Wind Info financial terminal.

VII. VALUATION APPROACHES

(I) Introduction of valuation approaches

There are 3 approaches of valuation, which are assets-based approach, market approach and income approach.

1. The asset-based approach represents the appraisal method based on the balance sheets of the entity evaluated as at the Benchmark Date, used for determining the value of the object of valuation by reasonably appraising the value of various assets and liabilities recorded in and outside balance sheets.

2. The market approach represents the appraisal method for determining the value of the object of valuation by comparing the object of valuation with comparable listed companies or with comparable transaction cases.

3. The income approach represents the appraisal method for determining the value of the object of valuation by capitalizing or discounting the expected income.

(II) Analysis on selection of evaluation methods and evaluation conclusions

According to the purpose of this evaluation and based on the data collected, the entity evaluated is able to provide historical information on assets and liabilities within the scope of evaluation and historical operating financial data. Through analyzing the information provided by the entity evaluated and taking into account the macro-economic situation, prospect of the industry in which the entity evaluated operates and operating condition of its continuing operations since its establishment, our valuers believed that the information collected met the requirements of assets-based approach and income approach, therefore, the assets-based approach and income approach were adopted for the purpose of this valuation.

Our valuers also analyzed the conclusions from these two valuation approaches and formed a final reasonable valuation result after taking into consideration the number and quality of data used by each of the two valuation approaches as well as the purpose of this valuation.

(III) Introduction of valuation approaches used in this valuation

1. Assets-based approach

1.1 Valuation approach in respect of current assets and other assets

1.1.1 Monetary capital includes cash and bank deposits. After it is verified to be correct, the appraised value of monetary capital is determined based on the verified book value.

1.1.2 Each item of receivable will be determined according to the following circumstances after it is verified to be correct:

If there is concrete evidence showing a loss, the bad debt loss will be recognized according to the actual loss; if there is no such evidence, the estimated loss will be recognized referring to the accounting policy of bad debt provision; upon verification as to the correctness, the appraised value of prepayments is determined based on the value of assets or entitlements arising from the corresponding recoverable goods.

1.1.3 Deferred income tax assets. Understanding the content of deferred income tax assets and relevant calculation procedures, our valuers re-calculate the deferred income tax assets based on the valuation progress of the corresponding subjects.

1.2 Valuation approach in respect of non-current assets

1.2.1 Valuation of machinery and equipment

According to the information collected on site by the valuers, this valuation adopts the cost approach to appraise the machinery equipment as well as transportation equipment.

Appraised value = Full replacement cost × integrated newness rate

1.2.2 Construction in progress: Replacement costs are used for the purpose of valuation based on the stage of completion due to short time of commencement of construction.

1.3 Valuation approach in respect of liabilities

The appraisal value of various kinds of liabilities was determined on the basis of the actual amount of liabilities assumed by the entity evaluated after conducting a sample inspection.

2. *Income approach*

The income approach in the valuation of enterprise value is a method in which the expected income will be capitalized or discounted to determine the value of the valuation object.

The income approach in this evaluation adopts discounted cash flow method, and the equity cash flow is the quantitative indicator for the enterprise's expected income.

Equity cash flows refer to the cash flows attributable to the shareholders. It is calculated by deducting principal and interest payments, capital expenditures for maintaining existing production capacity and securing future growth as well as changes in working capital from cash flows.

In this valuation, the value of total equity interests attributable to shareholders was calculated based on the equity cash flows of the Company in the next few years, and then discounting it to the value of all operating assets at appropriate discounting rate, and adding the value of surplus assets and non-operating assets.

2.1 Calculation formula

$$P = \sum_{i=1}^{n} Ai/(1+r)^{i} + An/r(1+r)^{i} + N$$

Where: P: Value of total shareholders' equity
Ai: Net equity cash flow in the period i of the specific forecast period
r: Discount rate (capitalization rate)
i: Forecast period
An: Net equity cash flow in each year following the specific forecast period
N: Net liabilities of surplus assets and non-operating assets

2.2 Determination of return period

As the entity evaluated has operated as a going concern for a couple of years as at the Benchmark Date, and there are no restrictions or prohibitions imposed by national laws or regulations on this industry, the return period in this valuation is deemed to be perpetual. Specifically, the first stage (namely the forecast period) will commence from 1 July 2016 to 31 December 2021, during which period the earning position of the entity evaluated depends on its operating condition and business plans. At the second stage commencing from 1 January 2022, the entity evaluated will operates as a going concern, during which period its profitability will remain stable.

2.3 Determination of expected income

This evaluation adopts the discounted cash flow method, and the equity cash flow is the quantitative indicator for the enterprise's expected income.

Equity cash flows refer to the cash flows attributable to the shareholders. It is calculated by deducting principal and interest payments, capital expenditures for maintaining existing production capacity and securing future growth as well as changes in working capital from cash flows. Its calculation formula is as follows:

Equity cash flows = Net profit after taxes + Depreciation and amortisation – Capital expenditure – Increase in working capital + (New interest-bearing liabilities – Repayment of principal of interest-bearing liabilities)

2.4 Determination of discount rate

Selection of the discount rate (r): Based on the revenue and discount rate matching principle, the cost of equity capital is calculated with the internationally accepted capital asset pricing model (CAPM) in this valuation:

Formula: $Ke = R_f + RPM \times \beta + R_c$

Where:

- R_f: Current risk-free interest rate
- RPM: Market risk premium
- β: Systematic risk coefficient of equity
- R_c: Enterprise-specific risk adjustment coefficient

2.5 Surplus assets

Surplus assets represent the assets exceeding the production and operation requirements of the enterprise as at the Benchmark Date and those not involved in forecasting its free cash flows after the Benchmark Date. This valuation conducts separate appraisal on surplus assets.

2.6 Non-operating assets and liabilities

Non-operating assets and liabilities represent the assets not relating to production and operation of the subject entity and not involved in forecasting its free cash flows after the Benchmark Date. This valuation conducts separate appraisal on non-operating assets and liabilities.

VIII. IMPLEMENTATION PROCESS AND STATUS OF THE VALUATION PROCESS

As required by the valuation standards, the valuation process includes the following stages:

(I) Acceptance of valuation engagement

After gaining a basic understanding of the project, our Company entered into a letter of engagement for valuation with the client, which clearly set out the purpose, valuation object and scope of valuation as well as the Benchmark Date.

We prepared the valuation plan and arranged suitable team members for this project according to the characteristics of the project.

(II) Field investigation and collection of valuation data

Our valuers gave instructions to the entity evaluated on inspection of assets, completion of assets valuation declaration forms and preparation of valuation data in accordance with the requirements of the project.

On the basis of a truthful declaration and comprehensive self-inspection by the entity evaluated, our valuers conducted inspection verification and filed investigation on the assets and liabilities within the scope of valuation in order to collect the information necessary for this valuation.

(III) Valuation and estimation

Our valuers determined the valuation approach according to the requirements of various valuation standards and relevant laws and regulation in the PRC as well as taking into consideration the condition of assets to be evaluated and valuation data collected. The valuation and appraisal work was carried out by the valuers based on the pricing scheme of various assets, valuation parameters and pricing standards determined and pricing information collected.

(IV) Preparation and submission of the valuation report

After an initial valuation result was achieved, we carried out a comprehensive auditing on the detailed valuation list, notes to valuation, valuation report and relevant working papers submitted by the project team and gave specific opinions and advice on amendment in accordance with our internal review procedures.

After completion of auditing works at all levels, the project team made corresponding amendments, supplements and improvements to the detailed valuation list, notes to valuation and valuation report based on their opinions and advice and the valuation report (draft for comments), after being reviewed, was submitted by us to the client for its comments.

The official valuation report was issued after we had exchanged our opinions on the valuation conclusion with the client.

(V) Filing of working papers

After issuance of the valuation report, we filled the working papers for archiving purpose in accordance with the requirements of our firm.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. There is no material change in the current relevant laws, regulations and policies in the PRC;

2. There is no material change in the macroeconomic situation policies of the PRC and the basic policies related to the industry;

3. There is no material change in current bank interest rates, exchange rates, taxation policies and etc. in the PRC;

4. Under the circumstances where the title to the ownership of the entity evaluated is certain, the entity evaluated will maintain its operations as a prerequisite;

5. There is no material change in the business model of the entity evaluated;

6. There is no material change in the accounting policies and accounting methods of the entity evaluated;

7. There is no material change in the political, economic and social environment in the location where the entity evaluated situates;

8. There is no material change in the macro-environment of the industry and basic policies in the industry which the entity evaluated operates in, which means that the sales market will not have a sharp decline due to the change in the macro-environment or the sales market will not shrink due to intervention policy;

9. There are no other force majeure events or unforeseeable factors that result in other significant impact to the entity evaluated and the external environment;

10. The general information, ownership information, policy documents and other relevant materials relating to the business operations of the client and the entity evaluated are assumed to be true and valid; the assets and liabilities within the scope of valuation are assumed to be true and complete, there are no defects in their title and ownerships and there is no other restriction in transaction matters;

11. The continued use of assets is assumed, which means the assets being assessed will continue with their existing use, the conditions of use such as manner, scale, frequency and environmental conditions are legal, and the assets will be used continuously and effectively within the foreseeable period of use, without any significant change.

(II) Specific assumptions

1. The entity evaluated complies with all the relevant laws and regulations in the PRC, and there will be no material non-compliance which will affect its development and revenue;

2. The purchase, acquisition and construction process of the valuation object's assets are assumed to be in compliance with all the relevant laws and regulations in the PRC;

3. There will be no major change in the management and the research & development staff involved in the business of the entity evaluated which is in the scope of valuation, and the entity evaluated will continue to operate based on its current model;

4. The entity evaluated is assumed that it will not experience material difficulties in collecting receivables (i.e. bad debts);

5. The valuation object is assumed to be not facing any serious technical failure which will affect it from continuing to use its tangible assets, and it is assumed that its key components and materials do not face any potential material defects in terms of quality;

6. In the foreseeable operating period, the non-recurring profit/loss that the entity evaluated may encounter, including but not limited to the disposal of long term equity investment, fixed assets, construction-in-progress, intangible assets, the profit/loss of other long-term investments, and non-operating income and expenditures are not taken into consideration;

7. The cash flow to equity of the entity evaluated is generated during the interim period of each projection period;

8. The data in relation to Baoteng Internet's future income projections (cash flow projections) is provided by Baoteng Internet's management, and they shall bear the responsibility. The Company's responsibility is to conduct reasonable analysis and judgment based on the aforementioned income projections (cash flow projections), and taking into account factors such as the operation status, development plans and resource allocation of Baoteng Internet. The valuer's analysis should not be treated as a guarantee regarding the achievability of the future income projection (cash flow projection);

9. Baoteng Internet's IDC and its value-added services are transferred from Powerleader Science & Technology to Baoteng Internet. Being a "High-tech Enterprise", Powerleader Science & Technology enjoys a preferential income tax rate of 15%. After the transfer of the assets, Baoteng Internet will apply for the qualification of "High and New Technology Enterprise". According to the feasibility analysis of the application to be a "High and New Technology Enterprise" provided by Baoteng Internet, the valuation is based on the assumption that Baoteng Internet possesses the "High and New Technology Enterprise" qualification and enjoys the preferential income tax rate of 15% in 2017. From 2017 and onwards, the valuation was conducted based on the income tax rate of 15%.

Should there be occurrences of events not in line with the aforesaid assumptions, the results in this valuation would lapse.

X. VALUATION CONCLUSIONS

The assets-based approach and income approach were adopted for this valuation. According to the aforesaid valuation, the following conclusions are made at the premise that the Company is on the going concern:

(I) Valuation conclusions per assets-based approach

As of the Benchmark Date, the book value of total assets amounts to RMB170,522,800, while the assessed value amounts to RMB176,904,400, with an appreciation of RMB6,381,600 and an appreciation rate of 3.74%;

The book value of total liabilities amounts to RMB52,763,000, while the assessed value amounts to RMB52,763,000, without any appreciation or depreciation;

The book value of net assets amounts to RMB117,759,800, while the assessed value amounts to RMB124,141,400, with an appreciation of RMB6,381,600 and an appreciation rate of 5.42%.

Summary for Results of Valuation

Unit: RMB0'000

Item		Book Value	Appraised Value	Increase/ Decrease	Increase Rate (%)
		A	B	C = B-A	D = C/ A × 100
Current assets	1	5,394.27	5,394.27	—	—
Non-current assets	2	11,658.01	12,296.17	638.16	5.47
Including: Financial assets available for sale	3	—	—	—	—
Investment held to maturity	4	—	—	—	—
Long-term account receivable	5	—	—	—	—
Long-term equity investments	6	—	—	—	—
Investment properties	7	—	—	—	—
Fixed assets	8	6,220.57	6,648.76	428.19	6.88
Construction in Progress	9	5,372.36	5,507.91	135.55	2.52
Construction materials and resources	10	—	—	—	—
Disposal of fixed assets	11	—	—	—	—
Productive biological assets	12	—	—	—	—
Oil and gas assets	13	—	—	—	—
Intangible assets	14	55.60	130.02	74.42	133.85
Including: land use rights	15	—	—	—	—
Development expenditure	16	—	—	—	—
Goodwill	17	—	—	—	—
Long-term deferred expense	18	—	—	—	—
Deferred tax assets	19	9.48	9.48	—	—
Other non-current assets	20	—	—	—	—
Total assets	21	17,052.28	17,690.44	638.16	3.74
Current liabilities	22	5,276.30	5,276.30	—	—
Non-current liabilities	23	—	—	—	—
Total liabilities	24	5,276.30	5,276.30	—	—
Net assets	25	11,775.98	12,414.14	638.16	5.42

(II) Valuation conclusions per income approach

As of the Benchmark Date, the value of the total shareholders' equity is valued as RMB501,660,100 per income approach, which is increased by RMB383,900,300 as compared to the book value of net assets, with an appreciation rate of 326.00%.

(III) Explanation of the selection of valuation results

As for the valuation conclusions per income approach and assets-based approach, the difference amount to RMB377,518,700, with the difference rate of 304.10%, which is mainly caused by the following reasons:

The assets-based approach is to total up the fair value of book assets and liabilities based on the balance sheet of Baoteng Internet, which means calculating the value of the total shareholders' equity by subtracting the appraised value of liabilities from the total value of itemized assets. Therefore, the assets-based approach appraises the market value assets from an indirect perspective and in an indirect manner, and the valuation results reflect the enterprises' replacement value based on its existing assets. In addition, the general profitability in whole of all asset and liability items is not considered in the valuation, and the unassignable intangible assets such as goodwill are not reflected in the assets-based approach.

The income approach is to calculate the enterprise value based on earnings forecast according to the expectation theory. The income approach takes overall consideration of the impact on enterprise value caused by various factors including its production technology, research and development ability, assets status, operation and management, stable customer relationship and long-term contracts from the perspective of future profitability, which reflects the comprehensive profitability of each individual asset, and fully considers the impact caused by the expected development factors in the future.

The principal business of Baoteng Internet during the forecast period includes IDC and value-added services. It is expected that the 1st phase of the Guanlan data center will be fully loaded in August 2016, and the 2nd phase of the Guanlan data center will be billing starting from September 2016 and fully loaded around July 2017. The cabinet lease and bandwidth incomes increase year by year with the addition of powered charging cabinets in data centers. In addition, as at the Benchmark Date, the enterprise is conducting the operations outsourcing and IDC cloud project, it is predicted that the business in this segmentation will also witness a relatively fast growth according to the experience accumulation on operations of Guanlan primary and secondary data centers and the construction of customer relationship in combination with the current market conditions.

In general, this valuation adopts the valuation results per the income approach, meaning that the total shareholders's equity is valued as RMB501,660,100, which is increased by RMB383,900,300 as compared to the book value of net assets, with an appreciation rate of 326%.

XI. SPECIAL NOTES

The appraisal and estimation of the following matters are beyond the practicing capacity and capability of the Company's certified public valuer. However, the said matters may actually affect the conclusion of this valuation. Thus, users of this valuation report should particularly take note of the following points:

(I) In the valuation report, no allowance had been made to the influence of the price possibly to be extra paid by the special trading mode over appraisal results; or relevant expenses and taxes ought to be undertaken by the valuation object and assets within the valuation scope in the process of change in or registration of ownership; or the effect of valued increase or decrease of various assets subject to tax. The client is suggested to take the taxation liabilities into careful consideration and deal with this issue abiding by relating regulations of the state when using the report.

(II) In this valuation, the certified public valuer does not conduct any technical testing for all kinds of equipment in respect of their technology parameters and performance as at the Benchmark Date, and only make conclusions on the assumption that all related technical information and the track records provided by the entity evaluated are true and valid.

(III) In case the quantity of assets changes after the Benchmark Date, the users of this valuation report shall take due considerations and make adjustment accordingly during actual valuation; in case the price standard of assets changes and has an obvious impact on the appraised value of assets, the client shall engage a qualified appraisal agency to re-determine the appraised value in a timely manner.

(IV) In the assets proposed to be transferred from Powerleader Science & Technology to Baoteng Internet, the machinery equipment in the original book value of RMB39,259,440.08 has been pledged to China Construction Bank Corporation (Shenzhen branch) as the mortgage in the fixed assets loan contract (loan contract No. “Jie 2015 Gu 182 Qianhai”) entered into between the Powerleader Science & Technology and China Construction Bank Corporation (Shenzhen branch) on 26 March 2015. The security contract was numbered “Di 2015 Gu 182 Qianhai-1”. This valuation takes no account of the impact on the assessed value caused by the security of machinery equipment.

(V) Baoteng Internet’s IDC and its value-added services are transferred from Powerleader Science & Technology to Baoteng Internet. Being a “High-tech Enterprise”, Powerleader Science & Technology enjoys a preferential income tax rate of 15%. Baoteng Internet will apply for the qualification of “High and New Technology Enterprise” in 2017. According to the feasibility analysis of the application to be a “High and New Technology Enterprise” provided by Baoteng Internet, the valuation is based on the assumption that Baoteng Internet possesses the “High and New Technology Enterprise” qualification and enjoys the preferential income tax rate of 15% in 2017. This valuation takes no account of the impact on the assessed value caused by the fact that Baoteng Internet fails to acquire the qualification of “High and New Technology Enterprise” and fails to enjoy the preferential income tax rate, so the users of this valuation report is proposed to consider the impact on the assessed value caused by such matters.

(VI) The premises of Guanlan primary and secondary data centers are located at 3 Guanyi Road, Guanlan Hi-Tech Industrial Park, Longhua New District, Shenzhen, covering an area of 6,156.00 m^2 and 4,508.45 m^2 respectively for a tenancy term of 20 years, namely from 1 July 2016 to 30 June 2036. We have checked the original house-leasing contract, and give due care of the ownership, but it is not constituted as a guarantee for the compliance of leasing matters.

(VII) No allowance had been made to the impact of liquidity discount on equity value in this valuation.

XII. RESTRICTIONS ON THE USAGE OF THE VALUATION REPORT

(I) The usage of this valuation report shall be limited to the valuation objective and purpose as specified herein;

(II) The valuation report may only be used by users of the valuation report as specified herein;

(III) Unless provided for by the provisions of laws and regulations, none of the content of this valuation report may be extracted, quoted or disclosed in public media without prior consent from the appraisal agency;

(IV) This valuation report cannot be formally used without the prior authorization of the valuation agency and the signature of the certified public valuer;

(V) In case any policy adjustment has major impact on the valuation conclusions, the Benchmark Date shall be re-determined for valuation;

(VI) The conclusion of this valuation report shall remain in force for one year since the Benchmark Date according to relevant requirements, and the revaluation of the assets shall be required upon expiry of the year.

XIII. DATE OF THE VALUATION REPORT

The date of this valuation report is 30 August 2016.

Verification Report relating to the Comments from The Hong Kong Stock Exchange on the Application for Disposal of the Businesses of Shenzhen Internet Data Centre and Value-added Cloud Services Business by Shenzhen Baoteng Internet Technology Limited

To: Shenzhen Baoteng Internet Technology Limited (深圳市宝腾互联科技有限公司)

Vocation (Beijing) International Asset Valuation Co., Ltd. (沃克森(北京)國際資產評估有限公司, hereinafter referred to as the "**Company**") is engaged by Shenzhen Zqgame Co., Ltd. (深圳中青宝互動網絡股份有限公司) as the asset valuation institution in respect of the assets to be purchased in cash by Shenzhen Zqgame Co., Ltd. The Company accepted the engagement regarding the valuation, the Company issued the *Valuation Report on Total Equity of Shenzhen Baoteng Internet Technology Limited in Relation to Proposed Acquisition of Equity Interests in Shenzhen Baoteng Internet Technology Limited by Shenzhen Zqgame Co., Ltd.* (Vocation Ping Bao Zi [2016] No. 0879) on 30 August 2016 in accordance with relevant laws and regulations as well as relevant requirements under asset valuation standards.

On 9 January 2017, The Hong Kong Stock Exchange issued Comments on the Application for Disposal of the Businesses of Shenzhen Internet Data Centre and Value-added Cloud Services Business by Shenzhen Baoteng Internet Technology Limited. The Company hereby issues this Verification Report regarding those matters required by the said Comments to be verified by the Company.

This Verification Report is intended to be used solely for the purposes of the application submitted to The Hong Kong Stock Exchange for the disposal of Shenzhen Internet Data Centre and value-added cloud services business by Shenzhen Baoteng Internet Technology Limited, and shall not be used for any other purposes. The Company and its responsible asset valuers agree that this Verification Report shall be regarded as a statutory document in connection with the application for the disposal of the businesses of Shenzhen Internet Data Centre and value-added cloud services business by Shenzhen Baoteng Internet Technology Limited, which is to be submitted together with other reporting materials to The Hong Kong Stock Exchange for review.

The Company and its responsible asset valuers hereby issue the Verification Report as follows in accordance with relevant laws and regulations as well as relevant requirements under asset valuation standards:

COMMENT QUESTION 4: CONSIDERATION (III) PLEASE JUSTIFY THE BOARD'S BASIS TO CONSIDER THAT "THE INCOME APPROACH ADOPTED IS THE MOST CONVINCING VALUATION METHOD AND MOST CAPABLE OF REFLECTING THE FUTURE PROFITABILITY OF THE SUBJECT ASSETS".

Reply:

Based upon the purposes of the current valuation and the status of information collection, the entity evaluated is able to provide historical asset and liability information and historical operating financial data that are within the scope of valuation. The valuation personnel analysed the relevant information provided by the entity evaluated, the valuer also took into account macro-economic situation, prospect of the industry in which the entity evaluated operates and operating condition of its continuing operations since its establishment, the information collected met the conditions for asset-based approach and income approach. As such, both asset-based approach and income approach have been adopted for the current valuation.

The valuation under asset-based approach is based upon Baoteng Internet's balance sheet, entailing the aggregation of the fair values of the book assets and liabilities. In other words, such approach seeks to arrive at the value of the shareholders' equity of the enterprise by adding up the assessed values of the various material assets of the enterprise and deducting therefrom the assessed value of its liabilities. As such, asset-based approach should be said to employ an indirect perspective and way in assessing the market values of assets, with its valuation results reflecting the replacement value of the enterprise based upon its existing assets. In performing an overall asset valuation, such approach tends to overlook the integrated profitability of the various assets and liabilities as a whole, and unspecifiable intangible assets such as the enterprise's goodwill cannot be reflected under the asset-based approach.

The income approach is based upon the anticipation theory, it seeks to arrive at the enterprise's value on the basis of income projections. From the perspective of the future profitability of the enterprise, income approach takes into consideration the combined impact of various factors including its production technologies, R&D capabilities, asset status, operations management and customer relations on the value of the enterprise. Reflecting the integrated profitability of the enterprise's various assets, this approach shows a more adequate consideration on the impact caused by the enterprise's future expected development factors.

The principal business of Baoteng Internet during the projection period are IDC and value-added services. According to the information regarding Phases 1 and 2 of Shenzhen Guanlan Data Centre (深圳觀瀾數據中心) as provided by the entity evaluated in early January 2017, Phase 1 of Guanlan Data Centre reached its full capacity in August 2016 and fee charging in respect of Phase 2 of Guanlan Data Centre started in October 2016. According to the powered-on status of cabinets between October and December 2016, Phase 2 of Guanlan Data Centre will likely reach its full capacity around July 2017. With the increase in the number of powered-on, fee-charging cabinets at the Data Centre, both cabinet leasing income and bandwidth income would rise year after year. In addition, as at the Benchmark Date, the entity evaluated was conducting operations and maintenance (O&M) outsourcing and the IDC cloud project (on 15 November 2016, Baoteng Internet obtained a bid acceptance letter for the property management project in respect of Huawei Karamay Data Centre of Huawei Software Technologies Co., Ltd. (華為軟件技術有限公司). The entity evaluated gained operating experience and the establishment of customer relations in respect of Phases 1 and 2 of Guanlan Data Centre, and taking into account the current market conditions, such business segment will bring relatively large profits during the projection period. The aforementioned businesses can be reflected in profit forecast, with their values reflected in valuation by income approach.

Based on the foregoing, since income approach can better reflect the value of the equity interests in the company, the assessed value derived from such approach has been chosen as the final valuation result.

COMMENT QUESTION 5: VALUATION REPORT OF BAOTENG INTERNET

1. Please disclose the professional qualification and biography of the valuers

Reply: Please see pages 19 to 21 in the Letter from the Board for details on the valuers' professional qualifications and biography.

2. P. III-3: It states that "According to relevant regulations, the conclusions of this valuation report shall be valid for one year from the Benchmark Date and revaluation is required after one year." Please disclose:

(i) the details of such regulations;

Reply:

The first basic requirement listed in Chapter 2 of *Standard for Assets Appraisal — Evaluation Report* (CAS [2011] No. 230) (《資產評估準則 — 評估報告》中評協[2011]230號) specifically stipulates the following:

A valuation report should specify the validity period in respect of its use. Usually, a valuation report may only be used when the Benchmark Date is no more than one year from the realisation date of the economic act in question.

(ii) the Benchmark Date has passed over six months as at today and the valuation will only remain valid till June 2017. Please disclose how the Company considers the valuation report and taking it as the basis of the Disposal consideration can provide a meaningful and useful information for shareholders to assess the transactions and making informed decision.

(1) Independence of the valuation institution

(2) Reasonableness of the valuation assumptions

(3) Correlation between the valuation approaches and valuation purposes

(4) Fairness of the valuation pricing

(5) Reasonableness of the pricing principles for the assets proposed to be disposed of

(6) Conclusion

The board of directors is of the opinion that according to the prevailing relevant regulations, the valuation results of the valuation report shall be valid within 1 year from the Benchmark Date. In other words, the validity period in respect of the use of the valuation results shall be from 30 June 2016 to 29 June 2017. When the current valuation purposes are pursued within 1 year from the reporting date, the valuation results can be used as a reference for the consideration of realisation of the economic act corresponding to the valuation purposes. Upon expiry of such 1-year period, the valuation results will cease its validity, and an asset revaluation would be required to be performed afresh if the original purposes continued to be pursued.

3. P. III-4: Please disclose and specify "the relevant laws, regulations, assets valuation standards and rules" as the basis of the valuation.

Reply:

Please see pages III-13 to III-15 of the valuation report for details. Specifically:

"The valuation bases followed by us include the basis of laws and regulations, basis of economic acts, basis of ownership and basis of pricing:

(I) Main laws and regulations

1. Company Law of the People's Republic of China;

2. Property Law of the People's Republic of China;

3. Enterprise Income Tax Law of the People's Republic of China (No. 63 Order of the President of the People's Republic of China);

4. Implementing Rules for Provisional Regulations of the People's Republic of China on Value-added Tax (No. 50 Order of the SAT and Ministry of Finance);

5. Other applicable laws and regulations related to the valuation.

(II) Basis of valuation standards

1. *Standard for Assets Appraisal — General Principle* (CAIQI [2004] No. 20);

2. *Ethic Standard for Assets Appraisal General Principle* (CAIQI [2004] No. 20);

3. *Ethics of Standard for Assets Appraisal — Independence* (CAS [2012] No. 248);

4. *Guidelines on Internal Governance of Appraisal Firms* (CAS [2010] No. 121);

5. *Guidelines on Quality Control of Valuation Engagements of Appraisal Firms* (CAS [2010] No. 214);

6. *Guide Note for Type of Value of Assets Evaluation* (CAS [2007] No. 189);

7. *Guiding Opinions for Certified Public Valuer on Legal Ownership of Valuation Object* No. 18;

8. *Standard for Assets Appraisal — Evaluation Report* (CAS [2011] No. 230);

9. *Standard for Assets Appraisal — Evaluation Procedure* (CAS [2007] No. 189);

10. *Standard for Assets Appraisal — Engagement Letter* (CAS [2011] No. 230);

11. *Standard for Assets Appraisal — Working Paper* (CAS [2007] No. 189);

12. *Standard for Assets Appraisal — Equipment* (CAS [2007] No. 189);

13. *Standard for Assets Appraisal — Intangible Assets* (CAS [2008] No. 217);

14. *Standard for Assets Appraisal — Enterprise Value* (CAS [2011] No. 227).

(III) Certificates of title and major contracts and agreements

1. Major equipment purchase contracts, engineering settlement paper, project (equipment) completion inspection reports and etc.;

2. Payment vouchers for material assets;

3. Material sales and purchase contracts;

4. Other certificates of title.

(IV) Basis of determination of prices

1. Mechanical and Electronical Products Pricing System (WWW.mepfair.com);

2. Commonly Used Data and Coefficient Handbook in Assets Valuation (China Machine Press);

3. Major equipment contracts and projects settlement documents;

4. Treasury bond rates and bank lending rates and other price information;

5. Product sales contracts or agreements of the entity evaluated;

6. Information from WindInfo financial terminal."

4. P. III-15: Regarding the value's selection of evaluation methods, please elaborate and disclose:

(i) how it has taken into account each of "the macro-economic situation, prospect of the industry in which the entity evaluated operates and operating condition of its continuing operations since its establishment" in selecting the evaluation methods;

Reply:

Asset-based approach and income approach have been selected for the current valuation.

Based upon the business analysis conducted by the valuation personnel on the entity evaluated, Baoteng Internet's principal businesses for the projection period are IDC and value-added services. The major business status is introduced as follows:

IDC means internet data centre, which is a platform well-equipped, professionally managed and provides comprehensive applications and services. IDC service providers are able to offer basic internet platform services and various value-added services through such platform for enterprises and clients such as ISP, ICP and ASP, mainly including hosting (lease of slots, racks and VIP rooms), rent of resources (such as virtual hosting business, data storage service), system maintenance (system configuration, data backup and troubleshooting services), management services (such as bandwidth management, flow analysis, load balancing, intrusion detection, system vulnerability diagnosis), and other service support and operations services, etc.

The IDC station being operated by Baoteng Internet as at the Benchmark Date was Phase 1 of Shenzhen Guanlan Data Centre, while Phase 2 of Shenzhen Guanlan Data Centre will soon commence its operations. The construction and operation of the said data stations were originally invested by the controlling shareholder Powerleader Science & Technology Group Limited (宝德科技集團股

份有限公司, hereinafter referred to as "Powerleader") together with various collaborating telecommunications operators. In light of the acquisition being contemplated, Powerleader has transferred the IDC business involved in the said data stations to Baoteng Internet. As at the Benchmark Date, the specific status of each station was as follows:

① *Phase 1 of Shenzhen Guanlan Data Centre:*

Phases 1 and 2 of Shenzhen Guanlan Data Centre adopted a collaboration approach with the operators, where the collaboration was mainly undertaken with Shenzhen Branch of China United Network Communications Limited (hereinafter referred to as "Shenzhen UN") and Shenzhen Branch of China Mobile Group Guangdong Co., Ltd. (hereinafter referred to as "Shenzhen Mobile").

In May 2014, inspection and acceptance took place on Phase 1 of Guanlan Data Centre and it gradually came into operation. The total number of cabinets at Phase 1 was 760, where Baoteng Internet carried out management and supervision over the data station. Taking into consideration a certain fragmentation rate and the enterprise's intention to turn certain cabinets into cloud clusters, there were totally 728 operating cabinets which could be leased to external parties. As stipulated under the contract between Phase 1 of Guanlan Data Centre and Shenzhen Mobile, 240 42U standard cabinets were to be provided to Shenzhen Mobile where the capacity of a single cabinet was 2.64 kVA (i.e. 12A). The remaining cabinets of Phase 1 of Guanlan Data Centre were designated for the collaboration with Shenzhen UN. The said Phase was primarily intended to serve Internet companies and the operator itself. As at 30 June 2016, there were 651 powered-on cabinets at Phase 1 of Guanlan Data Centre.

② *Phase 2 of Shenzhen Guanlan Data Centre:*

It is expected that Phase 2 of Shenzhen Guanlan Data Centre will gradually be put into operation starting from September 2016. The number of cabinets at Phase 2 of Guanlan Data Centre was 680, where Baoteng Internet carried out management and supervision over the data station. Taking into consideration a certain fragmentation rate and the enterprise's intention to turn certain cabinets into cloud clusters, there would be 610 cabinets when full capacity is reached. The said Phase was primarily intended to serve Internet companies and the operator itself. It is expected that Phase 2 of Guanlan Data Centre will collaborate with Shenzhen UN. As at July 2016, customers of Shenzhen UN had already confirmed that they would rent 400 cabinets. Among these, Huawei company confirmed that it would need to rent 300, while the remaining 100 were confirmed to be rented by other small customers. It is expected that Phase 2 of Guanlan Data Centre will be able to reach full capacity in July 2017.

IDC value-added services included O&M outsourcing services and IDC cloud services.

Operations outsourcing mainly refers to outsource the daily operations of infrastructures such as electricity, refrigeration, security and network in data centres upon the completion of overall construction of data centres by customers, and the daily operations are undertaken by the outsourcing service providers. The scale of outsourcing project is determined by the quantity of infrastructures in data centres and the operational difficulty, and the relevant total workload is accounted and the number of operation personnel is estimated according to appropriate SLA, with the payments made per capita. In addition, Baoteng Internet may also provide additional value-added services, such as assisting customers in optimizing power system and saving electricity expenses through green energy-saving package solutions. The payments for additional services are otherwise made by projects.

IDC cloud refers to connect the enterprise' self-purchased servers into several virtual host clusters with fragmented cabinets of its self-owned machine room, and then rent out such virtual host clusters. Cloud computing is based on the addition, use and delivery modes of Internet related services to provide trends through the Internet, which may be extended easily and virtualized frequently. Cloud computing services are realized in combination with virtualization technology and on the basis of integrated data centre network, and the network infrastructures such as switches, routers, application delivery equipment has made an important contribution to build data interaction platform for cloud computing services. Enterprise may directly provide external users with services through its own infrastructures, while external users may only access services via the Internet rather than own the cloud computing resources. Cloud computing provides the most reliable and secure data storage centre, so users have no worry about such troubles as data loss and virus invasion.

Phase 1 of Baoteng Internet's Shenzhen Data Centre had been established and had been operating for almost 2 years as at the Benchmark Date (with relevant fee charging having commenced in August 2014), while the completion inspection in respect of Phase 2 of Shenzhen Data Centre was being carried out in August 2016 and the fee charging in respect of such Phase is expected to commence in September 2016. The construction works relating to the said Phases had essentially been completed.

Macro-economic condition and industry development prospects were used to support the analysis of income approach. Through analysing the relevant information provided by the entity evaluated. The valuation personnel also took into account macro-economic situation and the development prospects of the industry in which the entity evaluated operates, and the current operating condition of its continuing operations since its establishment. The information collected met the conditions for income approach. Furthermore, as at the Benchmark Date, according to the capital investment conditions, construction conditions of Phase 1 and Phase 2 of Shenzhen Guanlan Data Centre, as well as the financial data provided by the entity evaluated, the entity evaluated met the conditions of asset-based approach. Therefore, after comprehensive analysis, current valuation has adopted asset-based approach and income approach.

Analysis of asset-based approach

Asset-based approach refers to a valuation approach used for the reasonable assessment of the values of the various assets and liabilities (both on-balance sheet and off-balance sheet) of the entity evaluated to determine its value, based upon its balance sheet as at the Benchmark Date. According to the various current assets, non-current assets and liabilities falling within the scope of valuation as reported by the entity evaluated, the valuation personnel would gather information while the entity evaluated may provide historical assets and liabilities information and historical operating financial data that are within the scope of valuation. The valuation personnel may then provide a reasonable estimate of the replacement value of the entity evaluated as at the Benchmark Date based upon the financial information provided by it. As such, the valuers were of the opinion that it was feasible to adopt asset-based approach.

Analysis of income approach

Income approach refers to a valuation approach used for determining the value of the entity evaluated through capitalising or discounting its expected income. The use of income approach is subject to 3 pre-conditions:

1. The enterprise has the basis and conditions for its continuous operations, where a relatively stable proportion exists between its asset operations and income;

2. The future expected income arising from the assets evaluated is predictable and measurable in monetary terms;

3. The risks assumed by the asset owner relating to the earning of expected income are also predictable and measurable in monetary terms.

There are 3 primary specific parameters, namely: (1) the income period of the entity evaluated that can be reasonably determined; (2) the annual income amount over the income period that can be reasonably calculated; and (3) discount rate, which is applied for discounting the income over the projection period to the Benchmark Date.

Regarding the 3 aforementioned parameters, the following analysis is given upon taking into account macro-economic situation, prospect of the industry in which the entity evaluated operates and operating condition of its continuing operations since its establishment:

According to the analysis of the business of the entity evaluated as well as analyses of the IDC industry development status and the macro-economic situation, data centres represent the basis for big data and cloud computing, and are also a crucial foundation for the development of informatisation in China. The IDC industry in which the enterprise conducts business enjoys a relatively good development status, offering positive industry setting for the company's profit forecast. According to the disclosures contained in the 2015–2016 research report on the development of China's IDC industry (2015–2016年中國IDC產業發展研究報告), regarding the Chinese IDC market, the government stepped up its policy guidance and made IDC licences available for open application in 2014, while emerging sectors such as mobile Internet, videos and games achieved rapid development. This fostered the development of IDC industry, pushing it back onto the fast track with its market size rising to RMB37.22 billion, representing a growth of 41.8%. In 2015, the domestic IDC industry ushered new development opportunities. Following the cross-sector IDC boom in 2014, such cross-sector enthusiasm continued rise in 2015 when the Chinese IDC market maintained its rapid growth trend — the total market size was then RMB51.86 billion, representing a year-on-year growth of 39.3%. Besides, the year of 2016 represents the starting point of the optimisation and upgrade stage (from 2016 to 2020) in respect of the "Broadband China" strategy. During this stage characterised by the optimisation and technological evolution and upgrade of broadband networks in the country, there will be further increases in the service quality and application levels of broadband networks as well as the supporting capacity of the broadband industry. Based on the foregoing, the positive industry development prospects are conducive to the company's realisation of its operational plan and profit forecast.

Moreover, based upon the monthly number of cabinet power-ons as well as the bare cabinet income and bandwidth income associated with single cabinets at Phase 1 of Shenzhen Guanlan Data Centre (which the entity evaluated had been operating as at the Benchmark Date), together with the status of contract negotiations of the entity evaluated in connection with Phase 2 of Shenzhen Data Centre as at the end of July 2016, as well as the O&M outsourcing and the IDC cloud project that Baoteng Internet was conducting as at the Benchmark Date, upon analysis, the valuers have arrived at the opinion that the cash flow in respect of the projection years could be reasonably predicted by considering the historical financial data and operating status of the entity evaluated as at the Benchmark Date.

(Supplementary explanation: Based upon the latest information provided by the entity evaluated in January 2017, Phase 1 of Shenzhen Guanlan Data Centre already reached its full capacity in August 2016, the power-on fee charging in respect of Phase 2 of Guanlan Data Centre commenced in October 2016, while on 15 November 2016, Baoteng Internet obtained a bid acceptance letter for the property management project in respect of Huawei Karamay Data Centre of Huawei Software Technologies Co., Ltd. The collaboration period in respect of such project is from 1 November 2016 to 31 October 2018, with the aggregate, all-inclusive, fixed property charges (excluding maintenance and repair fees) for the 2-year period being provisionally set at RMB4,909,562.28, while other all-inclusive charges (including maintenance and repair fees) shall be paid as and when incurred. The projection data as at the Benchmark Date can be verified by considering the aforementioned actual circumstances)

Secondly, considerations relating to the projection period.

Baoteng Internet had been operating for around 13 years as at the Benchmark Date. The historical annual financial data of Baoteng Internet, which has a sound operating status, are specified in the table below:

Monetary unit: RMB'0,000

Item	**31 December 2014**	**31 December 2015**	**30 June 2016**
Total assets	7,998.73	8,161.45	17,052.28
Liabilities	441.54	635.63	5,276.30
Net assets	7,557.19	7,525.82	11,775.98

Item	**Year 2014**	**Year 2015**	**January–June 2016**
Revenues from main operations	476.40	2,760.79	2,061.59
Gross profit	–323.63	104.59	507.90
Net profit	–232.76	67.70	369.86

Notes:

(1) The statement above is a simulated financial statement.

(2) The simulated historical annual financial data has been audited by ShineWing CPA Limited (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)) with unqualified opinion stated in their previous issued auditor's report.

As can be seen from the above table, the company's total assets have shown a rising trend over the past few years, which is mainly due to its rapid business development, and the relatively sound operating efficiency and generally high quality of its assets. The company's income and net profit have shown a rapidly rising trend over the past few years, which is mainly attributable to the increasing number of powered-on, fee-charging cabinets at Phase 1 of Shenzhen Guanlan, the growing income derived from data centres, as well as the gradual return of preliminary investments made by the enterprise.

Based on the understanding of Baoteng Internet's historical operating status, it is currently in its growth stage with an improving profitability. As such, in connection with the projection period under the current valuation, this valuation period is considered in accordance with a sustainable period.

Furthermore, considerations relating to the discount rate. Upon performing an analysis of the industry in which the entity evaluated conducts business, the valuation personnel have taken into account the various benchmarks required for calculating the discount rate, such as the risk-free rate of return, risk-adjusted rate of return, and beta coefficient. All such benchmarks could be reasonably estimated upon making enquiries.

Based on the foregoing, each of the three major benchmarks that are required to be determined for adopting income approach could be reasonably estimated, and therefore such approach can be adopted for the current valuation.

(ii) what are the requirements for the asset-based approach and income approach;

Asset-based approach:

Refers to a valuation approach used for the reasonable assessment of the values of the various assets and liabilities (both on-balance sheet and off-balance sheet) of the entity evaluated and thus for the determination of its value, based upon its balance sheet as at the Benchmark Date. The principal requirement on the application of asset-based approach is the replacement value of the asset evaluated and liabilities on the valuation date can be reasonably estimated.

Income approach:

Refers to a valuation approach used for determining the value of the entity evaluated through capitalising or discounting its expected income. The use of income approach is subject to 3 pre-conditions:

1. The enterprise has the basis and conditions for its continuous operations, where a relatively stable proportion exists between its asset operations and income;

2. The future expected income arising from the assets evaluated is predictable and measurable in monetary terms;

3. The risks assumed by the asset owner relating to the earning of expected income are also predictable and measurable in monetary terms.

There are 3 primary specific parameters, namely: (1) the income period of the entity evaluated that can be reasonably determined; (2) the annual income amount over the income period that can be reasonably calculated; and (3) discount rate, which is the discount rate applied for discounting the income over the projection period to that as at the Benchmark Date.

(iii) detailed reasons for not adopting the market approach;

Market approach is one of the business valuation method. It refers to the comparison between the entity evaluated and a comparable listed company or a comparable transaction in order to determine the value of the entity evaluated.

Two commonly used methods in market approach are comparable listed company and comparable transaction.

Comparable listed company valuation is a valuation method which gathers and analyses the operating and financial data of a comparable listed company, then compares and analyses them with those of the entity evaluated, and determines the value of the entity evaluated.

Comparable entity used in comparable listed company valuation should be a listed company which trades normally in an open market.

Comparable transaction valuation is a valuation method which gathers and analyses the trading, merger and acquisition data of a comparable business. After that, it calculates the appropriate value ratios, compares and analyses them with entity evaluated and determines the value of the subject.

The following conditions shall be satisfied for application of market approach;

① there must be a fully developed and active capital market;

② in the above capital market, there are sufficient comparable entities which are identical or similar to the entity evaluated, or there are sufficient transactions in such capital market;

③ ability to collect and acquire market information, financial information and other relevant information of the comparable entities or transactions;

④ it is firmly believed that the information relied on is representative and reasonable, and effective on the valuation Benchmark Date.

The valuer identified similar transactions of Baoteng Internet. However, after analysis is done, there were differences between the business of the comparable company and that of the entity evaluated. The difference of the business scale was relatively huge. There were differences between the operating model and development phrase. It was difficult to gather relevant financial data and there was a relatively large difference among their development phrases. Given the foregoing, the valuer was of the view that it was not suitable to adopt the market approach.

(iv) the pros and cons of the each valuation approach.

Cost approach (i.e. asset-based approach in business valuation) uses the balance sheet as the basis of the valuation. The valuation result of cost approach has stronger objective evidence comparing with market approach and income approach. Under normal circumstances, it is suitable to adopt cost approach if the holding company only invests or only owns immovable assets, and the purpose of valuation of the enterprise will not continue operations. Nevertheless, the adoption of cost approach is unable to get the overall value of an enterprise with continuing operations, it is also difficult to judge the technique matching among each and every asset and the synergy which may arise from the organic combination factors. Therefore, it is not desirable to adopt cost method in valuation under the assumption and premise a ongoing concern basis.

Income approach uses expected income and discount rate as its basis. If the current income is positive and continuing, while the discount rate during the income period can be reliably estimated, it is more suitable to adopt income approach for valuation. In general, enterprises in growing stage and mature stage has the above features and able to adopt income approach. Given the application conditions of income approach, business with the following features is not suitable to be valued using income approach: enterprises in distress, businesses with cyclical income, businesses with idling assets, private businesses with unstable business condition and risk problem which is unable to make a reasonable measure.

The merits of market approach are that it is simple, direct and easy to understand, and flexible to apply. In particular, when the future income of the target company is difficult to forecast in detail, the valuation by income approach is clearly restricted. The limitation of market approach is relatively smaller. In addition, from a practical point of view, market approach is more commonly used. It is also commonly used to verify the valuation results of other valuation approaches or as a reference. Nevertheless, there are certain limitations on adopting market approach to value an entity: risks and uncertainties of the entity evaluated and reference company varies. It is difficult to identify an absolute identical or a similar comparable company.

5. **P. III-17: It states that "In this valuation…was calculated based on the equity cash flows of the Company in the next few years, and then discounting it to the value of all operating assets at appropriate discounting rate, and adding the value of surplus assets and non-operating assets." Please disclose the details of the valuation approach adopted, including:**

(i) the specified meaning of "in the next few years" and the duration of forecast periods;

Reply: next few years means on a going concern that includes 5-year of definite projection period and the succeeding steady period.

(ii) the specified "appropriate discount rate" and basis of determination;

Reply: specified discount rate means the discount rate calculated by the capital asset pricing model. Discount rate is 12.14% for this time. Specific calculation process as follows:

"In this valuation, based on the revenue and discount rate matching principle, we adopted the internationally accepted capital asset pricing model (CAPM):

Formula: $r = Rf + RPM \times \beta + Rc$
Where: Rf: current risk-free interest rate
RPM: market risk premium
β: systematic risk coefficient of equity
Rc: enterprise-specific risk adjusted coefficient

(I) Determination of specific parameters

1. Determination of risk-free income rate (Rf)

Risk-free return rate is a compensation for the time value of money. There are two kinds of compensation. One of them is the average profit margin under the circumstances where there is no inflation and risk-free. This is the compensation for the transfer of capital use right. On the other hand, there is inflation premium which compensates the decrease in purchasing power due to inflation. Since we cannot separate these two compensations in reality, they constitute risk-free rate together. In this valuation, an arithmetic average income rate of 4.13% for over 10-year national debts is selected as risk-free income rate (from Wind Info).

2. Company's systematic risk coefficient β

First, we calculate the unlevered Beta of the comparable company. Hence, we obtain the average unlevered Beta and convert it into the target financial leverage coefficient of the entity evaluated. Target capital structure of the company is determined based on the condition of the company on the Benchmark Date and its future development plan.

The formula is as follows:

$\beta L = (1 + (1-T) \times D/E) \times \beta U$

In the formula:

βL: Levered Beta;
D/E: Target capital structure of the entity evaluated;
βU: Unlevered Beta;
T: Profit tax rate;

Personnel of this valuation selected the listed company similar to the entity evaluated from the Wind Info financial terminal as comparable company to calculate the Beta.

The profit tax rate for Baoteng Internet on the Benchmark Date was 25%. It is estimated that the profit tax rate shall be 25% for July to December 2016 and 15% after 2017.

D/E is Baoteng Internet's own capital structure. On the Benchmark Date, Baoteng Internet had no borrowings nor borrowing plan. Therefore, $\beta L = \beta U$.

We adopted the average of unlevered β coefficient of four comparable listed companies and obtained 0.7254 as the levered β coefficient of Baoteng Internet.

3. Determination of market risk premium RPM

Market risk premium is the difference between expected income rate of market security portfolio and risk-free interest rate. Determination of market risk premium can either rely on historical data or prior projection.

For the risk premium of the domestic A share market, its scale enlarged only after 1995. SSE Composite Index estimated that the market risk premium was around 12.5% between 1995 and 2006, around 9.5% between 1995 and 2008 and around 5.5% between 1995 and 2005. Since the market fell significantly between 2001 and 2005, soared between 2006 and 2007, went down significantly again in 2008 and hovered around the lowest point until 2011. The stock market experienced several years of downhill and started to bounce back in 2014. However, the volatility was still high.

Since the A share market experienced higher volatility, in return, the risk premium of A share market during each period fluctuated greatly. Equity risk premium obtained directly from historical data no longer carried much conviction.

For the market risk premium, we referred to industry practice and adopted the rate issued by an economist, Aswath Damadoran at New York University. The latest update of the rate was in January 2016. He determined the market risk premium of China was 6.90%.

4. Determination of enterprise-specific risk adjusted coefficient Rc

Company specific risk mainly relates to the scale of company, its operating phrase, historical operating status, financial risks, development phrase of its principal business, distribution of its operating businesses and products, internal management and control mechanism, experience and qualifications of its management, reliance on major clients and suppliers etc. Since the entity evaluated have a relatively small business scale compared with other companies in the industry, its operating business is in an early stage and the internal management and control mechanism is yet to be strengthened, company specific risk adjusted coefficient Rc is 3%.

(II) Calculation process

Determination of interest's cost of capital Re

$Re = Rf + \beta \times (RPM) + Rc = 4.13\% + 0.7254 \times 6.9\% + 3\% = 12.14\%$"

(iii) the specified "value of surplus assets and non-operating assets" and basis of determination.

Reply:

Surplus assets represent the assets exceeding the production and operation requirements of the enterprise as at the Benchmark Date which are not involved in the cash flow forecast on the Benchmark Date;

Non-operating assets and liabilities represent the assets not relating to production and operation of the subject entity and not involved in the cash flow forecast.

Valuation on surplus assets and non-operating assets shall be separated. Since the profit forecast did not involve surplus assets and non-operating assets, we adopted income approach to calculate the value of operating assets, then added up the value of surplus assets and non-operating assets after valuation herefrom to obtain the equity interest value.

6. **P. III-17: In para 2.2, it states that the return period in the valuation is deemed to be perpetual and the valuer considered that the entity evaluated will operate as a going concern from 1 January 2022 during which period its profitability will remain stable. Please justify and demonstrate how the valuer's basis and assumption is reasonable.**

Reply:

(1) Analysis on using perpetual period as the income approach projection period

Referring to the reply to the first question above about valuation method, based on the macro-economic development where the entity evaluated is located, the development prospects of the IDC industry and the operating conditions of the Shenzhen Guanlan Internet Data Centre of the entity evaluated, the valuers believe that it was reasonable to adopt a perpetual period as the income approach projection period.

(2) Explanation on the analysis of "Regarding the first stage as the projection period (from 1 July 2016 to 31 December 2021), and the second stage as the perpetual operation period (from 1 January 2022)":

According to Article 29 of the "Standard for Assets Appraisal — Enterprise Value" (資產評估準則 — 企業價值), the asset valuers shall be aware of the time interval before a business operation reaches a relatively stable level. In implementing a valuation, the time interval before a business operation reaches a relatively stable level is generally analyzed comprehensively based on such factors as an enterprise's operational and financial status, enterprise life cycle, recent investment plans, operational risk level, working capital and so on. Based on interviews with the enterprise's management personnel, the valuers are aware of the number of newly-added powered-on cabinets and the income generated from a single cabinet every month in Shenzhen Guanlan Phase I Data Centre and its cooperation with customers, as well as the contract negotiations between Guanlan Phase II Data Centre and customers. Based on the above, the valuers determined the number of the powered-on cabinets of Guanlan Phase II Data Centre of the entity evaluated each year and the time interval before cabinets reach full load.

In addition, valuers assessed the O&M outsourcing and IDC cloud project, the accumulated experience and establishment of customer relationships of Guanlan Phase I and Phase II Data Centres of the entity evaluated on the base date of valuation. Together with the current market situation, valuers made quantitative estimates of the above businesses, and based on the enterprise's development stage and IDC industry development as well as a 5-year profit forecast, the valuers believe that, as at the end of

2021, the entity evaluated can achieve a relatively stable operating level. So it is assumed that the entity evaluated can commence perpetual operations from 1 January 2022, and it will maintain a stable profit level in the meantime.

Based on the above analysis, and combining industry assessments with the judgment about the income approach projection which the entity evaluated will reach a relatively stable operation level, the valuers believe that using "the first stage as the projection period (from 1 July 2016 to 31 December 2021) and the second stage as the sustainable operation period (from 1 January 2022)" is reasonable.

7. **P. III-18: Please disclose and specify the data/rates used in determining the discount rate, with an explanation by the valuer on the appropriateness of using such data.**

Reply:

In this valuation, the discount rate used in the income approach is 12.14%; for calculation process, please refer to the reply to Question 2 above.

As to the reasonableness of the discount rate: firstly, this discount rate was calculated in line with the principle of matching income and discount rate and commonly used internationally CAPM modeling; secondly, the relevant indicators used in the calculation of the discount rate, such as risk-free rate of return, beta coefficient, market risk premium and the specific risk adjustment coefficient of the entity evaluated were analyzed and determined in accordance with regulations of assessment industry and in consideration of the situation of the entity evaluated; thirdly, the discount rate finally calculated has been compared with the discount rates used by other valuation agencies in the disclosed reports about listed companies for similar major restructurings, and the valuers found that they were relatively close and no significant difference was found. Therefore, based on the above analysis, the valuers believe that the discount rate adopted in this valuation is reasonable.

8. **P. III-18: Please disclose the detailed meaning of "the surplus assets" and "non-operating assets and liabilities" with the specified nature, amounts, basis of determination, details of "separate appraisals" adopted, and the term of "Benchmark Date".**

Reply:

(1) Surplus assets represent the assets exceeding the production and operation requirements of the enterprise as at the Benchmark Date and are not covered by cash flow projection;

Non-operating assets and liabilities represent the assets not relating to production and operation of the subject entity and are not covered by cash flow projection.

(2) The surplus assets (liabilities) and non-operating assets (liabilities) of Baoteng Internet are set out in the following table:

Monetary unit: RMB

No.	Accounting subject	Item description	Assessed value
1	Monetary capital		44,260,690.33
2	Accounts receivable	Agency receipts by related party SpeedTop	1,169,953.96
3	Prepayments	Project prepayments	690,760.00
4	Deferred income tax assets		94,825.96
	Total surplus assets		46,216,230.25
1	Accounts payable	Data centre project payments payable	44,063,780.45
2	Other payables	Agency payments by related party	5,887,814.91
	Total surplus liabilities		49,951,595.36

The surplus assets of the entity evaluated on the base date of valuation include monetary capital, receivables from related parties, project prepayments and deferred income tax assets.

The surplus liabilities include data centre project payments payable and the payables to related parties contained in other payables.

The surplus assets and excess liabilities are assessed individually, with reference to the following asset-based valuation process for specific valuation:

(*Note:*

① The following valuation process is extracted from the explanatory note of the valuation

② Details of surplus assets and liabilities

③ The analysis process of the following subjects is the technical description analysis process of asset-based valuation; the specific valuation method for surplus assets and liabilities is same as in the following analysis)

"1. Monetary capital

Monetary capital comprises cash and bank deposits.

1.1 The book value of cash on hand is RMB439.92, and it is all in RMB. Accompanied by the financial officer and the cashier, the valuers carried out an inventory of cash on hand on site, carefully filled in the cash checklist, made verification via the backflush accounting, and found no abnormalities. Upon verification, the assessed value is recognized as the book value.

1.2 Bank deposits

The book value of bank deposits is RMB44,260,250.41, which refers to all deposits deposited by the entity evaluated into various commercial banks. Among which, the RMB deposits amount to RMB22,739,182.04, and the USD deposits amount to USD3,245,425.92, which converts to RMB21,521,068.37 at the exchange rate of USD1 to RMB6.6312 announced by the People's Bank of China on the base date of valuation.

The valuers have asked for reference letters from banks for the above bank deposits and replies were received; the valuers have verified the deposits-in-transit and identified the reasons behind it. Upon verification, the assessed value upon verification is recognized as the book value.

2. Accounts receivable

Accounts receivable refers to the amount such as service fees and leasing fees collected by the entity evaluated from various service recipients. On the base date of valuation, the book value of accounts receivable is RMB8,801,555.90. The provision for bad debts is RMB379,506.58 and the net book value is RMB8,422,049.32.

The valuers firstly learned about the company's credit policy, and then determined the authenticity of the funds through reference letters, accessing accounting books, related contracts and invoices, etc. Upon verification, and by referring to historical information of business transactions and the replies to reference letter requests, the valuers conducted a specific analysis of the amount of arrears, timing and reason for arrears, the recovery of funds, etc., to determine the recoverable amount of each item of accounts receivable.

For accounts receivable with debts outstanding for a shorter period, good credit of the debtors, long-term business dealings and other factors, the assessed value is recognized as book value upon verification, under the premise that there is no evidence of bad debt losses; if there is conclusive evidence that any sum of account receivable (for example, the debtor has been declared bankrupt, revoked, deceased, or has been subject to a valid court ruling) has incurred bad debt losses in part or whole, the assessed value upon verification is recognized as the verified book value after deduction of recognizable bad debt losses; for the accounts receivable that have been in arrears for a longer period (long aging) and with no long-term business dealings, which are likely to incur bad debt losses but the specific loss items and amount cannot be accurately determined. For this portion of the accounts receivable, we referred to the accounting provisions for bad debts and determined the expected loss of each sum of account receivable, and then obtained the appraised value after deducting from the accounts receivable. For related party payments, the assessed value is recognized as the book value. The proportion of provision for bad debts of the entity evaluated is as follows:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other accounts receivable (%)
Less than 1 year	5	5
1–2 years	10	10
2–3 years	30	30
3–4 years	50	50
4–5 years	80	80
More than 5 years	100	100

The assessed value of the accounts receivable is RMB8,422,049.32, and the bad debt provision is assessed to be nil.

3. Prepayments

Prepayments refer to the money prepaid by the company to suppliers in accordance with the provisions of relevant equipment purchase agreements. The book value is RMB690,760.00 on the Benchmark Date. The main contents are prepayments for purchase of equipment and materials.

The valuers checked the accounting records, sampled relevant contracts or agreements on prepayments and payment receipts and other raw data, and learned about subsequent contract performance. Based on verification of their accuracy, the assessed value upon verification is recognized as the book value.

4. Deferred income tax assets

The book value of deferred income tax assets is RMB94,825.96, which was due to the provision for bad debts. Through the verification of accounts, and sampling check of relevant receipts and tax returns, etc., the valuers confirmed that the book value is true. The assessed value is recognized as book value, so the assessed value of deferred income tax assets is RMB94,825.96.

5. Accounts payable

The book value of accounts payable is RMB44,096,012.62. The main contents are the accounts payable to suppliers by the entity evaluated for purchasing equipment or accepting labor services. The valuers conducted sample checks of the bulk purchase contracts and related receipts, request for references and replies received of the entity evaluated, and confirmed the correctness of the audit. Assessed value upon verification is recognized as the book value.

6. *Other payables*

The book value of other payables is RMB7,125,440.05. The main contents are the accounts incurred by the entity evaluated for purchase of equipment and materials. The valuers conducted sample checks of relevant documents, contracts and receipts, and confirmed the correctness of the audit. Assessed value upon verification is recognized as the book value."

(3) The Benchmark Date is 30 June 2016, and is a fixed date.

9. P. III-24: It states that "The income approach is to calculate the enterprise value based on earnings forecast according to the exception theory…" Please elaborate and justify how the valuer's use of the income approach is reasonable and meaningful given that the Guanlan data centre Phase I (expected to) complete in August 2016 and Phase II to complete by July 2017, which generates a short track record and profitability prove.

Reply:

According to the above analysis regarding the selection of the income approach, taking into account the market demand, the operating conditions of the entity evaluated and the development of the industry according to the aforesaid analysis for the income approach adopted in the current valuation, the valuation personnel also took into account, as at the Benchmark Date, the operating conditions, construction conditions, customer conditions and contract entering conditions of of Phase 1 and Phase 2 of Shenzhen Guanlan Data Centre. The valuers considered Phase 1 and Phase 2 of Shenzhen Guanlan Data Centre can generate stable cash flow in the projection period (with specific analysis to be referred to the analysis of the sub-question 1 of the aforesaid question 4), even though Guanlan Phase I Data Centre has operated for a limited period of time and Guanlan Phase II Data Centre is in the check and verification phase as at the base date of valuation. Therefore, the valuers believe that the income approach is reasonable and meaningful.

10. P. III-21: For Note 8, please disclose further details about Baoteng Internet's future income projections (cash flow projections), including the detailed basis, period, key assumptions, etc.

Reply:

1. Reply to principal assumptions

1.1 Basic assumptions

1.1.1 Open market assumption: a hypothetical statement or restriction on the conditions of the market which the assets are intended to enter and what impact is to be accepted by the assets under such market conditions. Open market refers to a fully developed and consummate market and a competitive market with voluntary buyers and sellers, and in such market, buyers and sellers are equal, have the same opportunities and time to access adequate market information, and the transactions between buyers and sellers are voluntary and rational rather than forced.

1.1.2 Assumption of continuing use: this assumption firstly asserts that the assets within the valuation scope are in use, including the assets in use and spare assets; secondly, relevant data and information infer that the assets in use will continue to be used. Assumption of continued use both illustrates the market conditions or market environment faced by the assets being valued, and also emphasizes the durability of the assets. Specifically including continued use of those currently being used, continued use after transfer, and continued use after relocation. Continued use of those currently being used refers to the valuated assets in use that will continue to be used according to their existing usage purpose and manner after a change in property rights or the asset's business. Continued use after transfer refers to the valuated assets continuing to be used according to a new usage purpose after a change in property rights or the asset's business. Continued use after relocation refers to the valuated assets continuing to be used after being moved to a new location after a change in property rights or the asset's business. In line with the purpose of this valuation, the operating assets within the valuation scope are all assumed to be in use and will continue to be used.

1.1.3 Ongoing concern assumption assumes that the entity evaluated will not cease conducting its business for any reason in the foreseeable future and will continue to operate legally and continuously based on its existing assets and resources.

1.2 General assumptions:

1.2.1 There is no material change in the current relevant laws, regulations and policies in the PRC;

1.2.2 There is no material change in the macroeconomic situations policies of the PRC and the basic policies related to the industry;

1.2.3 There is no material change in current bank interest rates, exchange rates, taxation policies and etc. in the PRC;

1.2.4 Under the circumstances where the title to the ownership of the entity evaluated is certain, the entity evaluated will maintain its operations as a prerequisite;

1.2.5 There is no material change in the business model of the entity evaluated;

1.2.6 There is no material change in the accounting policies and accounting methods of the entity evaluated;

1.2.7 There is no material change in the political, economic and social environment in the location where the entity evaluated situates;

1.2.8 There is no material change in the macro-environment of the industry and basic policies of the industry in which the entity evaluated operates in, which means that sales market will not have a sharp decline due to the changes in the macro environment or the sales market will not shrink due to intervention policy;

1.2.9 There are no other force majeure events or unforeseeable factors that result in other significant impact on the entity evaluated and the external environment;

1.2.10 The general information, ownership information, policy documents and other relevant documents relating to the business operations of the entrusting party and the entity evaluated are assumed to be true and valid; the assets and liabilities within the scope of valuation are assumed to be true and complete, there are no defects in their title and ownership and there are no other restrictions on transaction matters;

1.2.11 The continued use of assets is assumed, which means the assets being assessed will continue with their existing use, the conditions of use such as manner, scale, frequency and environmental conditions are legal, and the assets will be used continuously and effectively within the foreseeable period of use, without any significant change.

1.3 Specific assumptions

1.3.1 The entity evaluated complies with all the relevant laws and regulations in the PRC, and there will be no material non-compliance which will affect its development and revenue;

1.3.2 The purchase, acquisition and construction process of the assets of the entity evaluated are assumed to be in compliance with all the relevant laws and regulations in the PRC;

1.3.3 There will be no major change in the management and the research and development staff, and the entity evaluated will continue to operate based on its current model;

1.3.4 It is assumed that the entity evaluated will not experience material difficulties in collecting receivables (i.e. bad debts);

1.3.5 The entity evaluated is assumed to be not facing any serious technical failure which will affect it from continuing to use its tangible assets, and it is assumed that its key components and materials do not face any potential material defects in terms of quality;

1.3.6 In the foreseeable operating period, the non-recurring profit/loss that the entity evaluated may encounter, including but not limited to the disposal of long-term equity investment, fixed assets, construction-in-progress, intangible assets, the profit/loss of other long-term investments, and non-operating income are not taken into consideration;

1.3.7 The cash flow to equity of the entity evaluated is generated during the interim period of each projection period;

1.3.8 The data in relation to Baoteng Internet's future income projections (cash flow projections) is provided by Baoteng Internet's management, and they shall bear the responsibility. The valuer's responsibility is to conduct reasonable analysis and judgment based on the aforementioned income projections (cash flow projections), and taking into account factors such as the operational status, development plans and resources allocation of Baoteng Internet. The valuer's analysis should not be treated as a guarantee regarding the achievability of the future income projection (cash flow projection);

1.3.9 Baoteng Internet's IDC Business and the its value-added services are transferred from the Powerleader Science & Technology to Baoteng Internet. Being a "High and New Technology Enterprise", Powerleader Science & Technology enjoys a preferential income tax rate of 15%. After the transfer of the assets, Baoteng Internet will apply for the qualification of a "High and New Technology Enterprise". According to the feasibility analysis of the application to be a "High and New Technology Enterprise" provided by Baoteng Internet, the valuation is based on the assumption that Baoteng Internet possesses the "High and New Technology Enterprise" qualification and enjoys the preferential income tax rate of 15% in 2017. From 2017 and onwards, the valuation will be conducted based on the income tax rate of 15%.

2. *Reply to detailed benchmark and time period*

The specific earnings projection period provided by Baoteng Internet are for the period from 1 July 2016 to 31 December 2021 and provided by the principal persons in charge of various businesses and the financial officers of Baoteng Internet according to the development, customer base and market prospect of each business as at the base date of valuation. The valuers have verified the above profit forecast. For details of the specific verification analysis process, please refer to Appendix 4 (income approach valuation description).

11. P. III-22: For Note 9, it states that Baoteng Internet will apply for the qualification of "High and New Technology Enterprise and from 2017 and onward, the valuation was conducted based on the income tax rate of 15%. We note from the Special Note (IV) (P. III-25) that the valuation takes no account of the impact on the assessed value caused by the fact that Baoteng Internet fails to acquire the qualification and fails to enjoy the preferential income tax.

In light of above, please explain and justify the reasonableness of this assumption and why the valuer did not take into account the tax impact based on the fact in the valuation, and how the valuation does not omit any material facts and is not misleading with basis.

Reply:

(1) According to the data provided by the entity evaluated for the application for qualification of High and New Technology Enterprise, the entity evaluated complied with the conditions for the application of qualification of High and New Technology Enterprise on the base date of valuation, but the corresponding certificate can be obtained only after it is approved by relevant departments. Therefore, the conditions provided by the entity evaluated, which must be satisfied for application for the qualification of High and New Technology Enterprise, have been verified by the valuers. While considering income tax, it is assumed that Baoteng Internet will enjoy the preferential tax rate of 15% if it can obtain the High and New Technology Enterprise certification in 2017.

The written information provided by the entity evaluated about its satisfaction of the conditions for application for High and New Technology Enterprise qualifications on the Benchmark Date is as follows:

① In terms of intellectual property rights, Baoteng Internet has applied for seven software copyrights, belonging to the class II intellectual property rights under National High and New Technology Enterprise Recognition, and has met the requirements on application for National High and New Technology Enterprise Recognition.

② In the field of new high-tech product technology, Baoteng Internet's products and technologies belong to the field of electronic information, are within the scope of "Hi-tech Sectors Supported by the State on a Priority Basis", and meet the conditions for declaration.

③ Baoteng Internet currently has 35 scientific and technological personnel of which 21 of them are R&D personnel. Hence, more than 10% of whom are R & D personnel, which meets indicators for National High and New Technology Enterprise Recognition.

④ In terms of R & D expenditure indicators, R & D staff salaries and rentals amounted to RMB2.6 million in 2016. Therefore it satisfied the criteria whereby the R&D expenses shall not be less than 5% of the turnover which is applicable to corporations with a revenue of less than RMB50 million (tax inclusive) during the year. R & D staff salaries and rentals amounted to RMB4.2 million in 2017. Therefore it satisfied the criteria whereby the R&D expenses shall not be less than 4% of the turnover which is applicable to corporations with a revenue of between RMB50 million to RMB200 million (tax inclusive) during the year.

After conducting an analysis, the Valuer assumed that the Valued Entity will be able to obtain the certificate for High and New Technology Enterprise in 2017, and disclosure was made in the Valuation Report. The Valuer has taken into account the tax impact and has brought such matter to the attention of those who are perusing the Valuation Report.

Note: Regarding the requirements and feasibility analysis of the Valued Entity's application for the High and New Technology Enterprise qualification at the Benchmark Date, please refer to pages IV-32 to IV-34.

(2) One of the assumptions for this valuation is that:

Baoteng Internet's IDC Business and its value-added services are transferred from the Powerleader Science & Technology to Baoteng Internet. Being a "High and New Technology Enterprise", Powerleader Science & Technology enjoys a preferential income tax rate of 15%. After the transfer of the assets, Baoteng Internet will apply for the qualification of "High and New Technology Enterprise". According to the feasibility analysis of the application to be a "High and New Technology Enterprise" provided by Baoteng Internet, the valuation is based on the assumption that Baoteng Internet possesses the "High and New Technology Enterprise" qualification and enjoys the preferential income tax rate of 15% in 2017. The certificate can be reviewed in three years after it expires. Therefore, from 2017 onwards, the valuation will be conducted based on the income tax rate of 15%.

Changes in the income tax rate will result in changes in the valuation. Therefore, the important matters have been disclosed by the valuers in the valuation report, and the entrusting party and relevant departments have been informed to pay attention during the use of the valuation report.

In summary, based on the analysis of the entity evaluated, the entity evaluated was assumed by the valuers to obtain the certificate of New and High Technology Enterprise in 2017, which has been disclosed in the valuation report. In addition, the valuers have fulfilled the duties of due diligence, and believe that there is no omission of important information or misleading content.

12. P. III-25: For Note (III), please elaborate and clarify the meaning of the note, in particular, the "quantity of assets changes and the price standard of assets changes".

(III) In case the quantity of assets changes after the Benchmark Date, the users of this valuation report shall take due considerations and make adjustment accordingly during actual valuation; in case the price standard of assets changes and has an obvious impact on the appraised value of assets, the client shall engage a qualified appraisal agency to re-determine the appraised value in a timely manner.

Reply:

Changes in the number of assets refer to the material changes in the number of assets declared by the entity evaluated on the base date of valuation within the validity period of the valuation report.

Changes in asset price standards refer to the material changes in the market price of the non-current assets such as fixed assets, intangible assets and construction-in-progress (equipment installation) that are listed in the valuation scope by the entity evaluated on the Benchmark Date, within the validity period of the valuation report.

13. P. III-25 — For Note (VII), please explain and justify why no allowance had been made to the impact of liquidity discount on equity value in this valuation, and how this assumption is reasonable and the valuation is not misleading with basis.

Reply:

According to Enterprise Valuation Criteria, the asset valuers shall disclose in the valuation report whether the impact of liquidity on the assessed value was taken into account in the valuation conclusions.

The impact of the liquidity discount on the value of equity was not taken into account in this valuation report, which has been reasonably disclosed in the valuation report, so the valuation report is free from misleading content.

Article 21 of the "Standard for Assets Appraisal — Enterprise Value" (資產評估準則 — 企業價值) requires that "certified asset valuers shall carry out enterprise valuation business by using the valuation method selected and with consideration given to the impact of liquidity on the value of the assessed object. When liquidity has a significant impact on the value of the assessed object, it should be given due consideration. The certified asset valuers shall disclose in the valuation report whether the impact of liquidity on the value of the assessed object was taken into account in the valuation conclusions.

This valuation is based on the result of an income approach valuation. Income approach is the evaluation method that determines the assessed value based on future cash flow discount. We believe that liquidity has a small impact on the value of the assessed object, and will not cause a material impact, so we have disclosed according to the requirements set out in the above valuation criteria that liquidity discount was not taken into account.

At present, similar valuation reports on listed companies are basically the valuation reports using income approach valuation results, which contain the disclosure that the liquidity discount was not taken into account, and are free from misleading content.

In addition, reference are made to similar valuation reports prepared by other listed companies, whereby the liquidity discount was also not taken into account. Therefore, this valuation report was prepared based on the industry's common practice.

14. P. III-22 — Please disclose the source of information of the book value, and detailed basis of determine the "assessed value of total assets and liabilities" as of the Benchmark Date.

Reply:

The balance sheet and income statement data such as assets, liabilities, income and cost of the entity evaluated (Baoteng Internet) as of the Benchmark Date contained in the valuation report and the valuation description are provided by Baoteng Internet and audited by ShineWing Certified Public Accountants Co., Ltd. (Special general partnership). The data disclosed in the valuation report is the audited and confirmed data, and consistent with that contained in the audit report.

15. P. III-13 — Please specify the "the valuation standards" as required regarding the valuation process.

Reply: it has been specified in question 3 above.

16. Please disclose the details of information reviewed (other than those disclosed in Pages III-14 and III-15) by the valuer in preparing the valuation.

Reply:

IDC industry analysis data, please refer to pages IV-10 to IV-11 for details.

17. P. III-4 & 12: Please clearly define the terms of "the Company' and "Baode"

Reply:

The Company and Baoteng Internet refers to the Baoteng Internet that has completed the internal restructuring (that is, the underlying assets have been integrated into Baoteng Internet, and the retained assets have been sold to Powerleader Science & Technology).

18. As requested in our previous comment no. 4(iii), please provide any explanatory notes/ detailed assumptions for the forecast memo.

Reply:

Notes and detailed assumptions are the income approach description.

COMMENTS QUESTION 6: CONSIDERATION

Please disclose the Board's detailed assessment and views on (i) the valuer's independence and qualification (i.e. whether the valuer is properly qualified); and (ii) the assumptions and approaches used for the valuation.

Reply:

Valuation assumptions: Please refer to the response to point 10 on pages IV-23 to IV-26 for details.

Valuation method:

In line with the purpose of this valuation, the collection of relevant data, and the historical data on assets and liabilities provided by the entity evaluated have been included into the valuation scope, as well as the financial data on historical operations. By analyzing the relevant information provided by the entity evaluated, based on the macroeconomic situation and the development prospects of the industry in which the entity evaluated operates, and in consideration of the status quo of the company's business development since its incorporation, the information and data collected meet the conditions required for asset based and income approaches, so these approaches were used in this valuation.

After using the above two approaches for the valuation, the valuers have conducted an analysis of the conclusions drawn from the two approaches, and after comprehensive consideration of the quantity and quality of the data used in the two approaches and in consideration of the valuation purpose, the valuers have formed reasonable valuation conclusions.

Ultimately, the conclusions from the income approach were adopted for this valuation.

Vocation (Beijing) International Assets Appraisal Co., Ltd.

Investigation report in relation to the requirements for High and New Technology Enterprise

Benchmark date for the Valuation: 30 June 2016

Valued Entity: Shenzhen Baoteng Internet Technology Limited Reference No.: DC-2-1

Reference Policy documents: Management Methods for High and New Technology Enterprise (Guoke Fahuo [2016] No. 32) & Recognition and Guidelines for High and New Technology Enterprise (Guoke Fahuo [2016] No. 195)

Number	Criteria	Requirement	Feasibility Analysis
1	Registration time	A PRC-domiciled enterprise registered for over 365 days.	The Valued Entity was incorporated on 8 October 2003, and its place of registration is Room 401, Powerleader Research and Development Centre, Longhua New District, Shenzhen. Hence, the requirement is satisfied.
2	Intellectual property	The enterprises' main products or services attained class I or II intellectual property rights in relation to the technology through its own R&D, transfer or acquisition etc.	Baoteng Internet has applied for seven software copyrights, belonging to the class II intellectual property rights under National High and New Technology Enterprise Recognition. Hence, the requirement is satisfied.
3	New and high-tech product technology	The technology shall be within the scope stated in the High and New Technology Heavily Supported by the PRC Government.	The electronic communication products produced by the Valued Entity is within the scope. Hence, the requirement is satisfied.
4	Scientific and technological personnel	Scientific and technological personnel (employed for at least 183 days during the past year) involved in R&D activities shall make up at least 10% of the enterprises' headcount.	Baoteng Internet currently has 35 scientific and technological personnel of which 21 of them are R&D personnel. Hence, the requirement is satisfied.

Number	Criteria	Requirement	Feasibility Analysis
5	Revenue generated from new and high-tech products or services	Revenue generated from new and high-tech products or services shall account for at least 60% of the total income during the past year.	In 2016 and 2017, 50% and 10% of the Valued Entity's income will be treated as the income for the management platform for cloud server value-added computing and v1.0 of the cloud server VPN system respectively. Hence, the requirement is satisfied.
6	Safety production and compliance with regulations	No material safety or quality incident, or serious breach of environmental regulations 1 year before the application.	No such events occurred. Hence, the requirement is satisfied.
7	R&D expenses	For corporations with a revenue of less than RMB50 million, between RMB50 million to RMB200 million, and above RMB200 million (tax inclusive) during the year, the R&D expenses shall not be at least 5%, 4% and 3% of the turnover respectively. More than 60% of the R&D expenses shall be incurred in the PRC.	The Valued Entity's R&D expenses amounted to RMB2.6 million and RMB4.2 million in 2016 and 2017 respectively. Hence, the requirement is satisfied.
8	Growth requirements	The entity's NAV growth rate and revenue growth rate will be assessed. The entities shall have a positive growth rate, and a 35% growth rate is the best.	The Valued Entity's projected income for the years 2016 and 2017 are RMB53.57 million and RMB100 million respectively. Hence, the requirement is satisfied.

Number	Criteria	Requirement	Feasibility Analysis
9	Management standard within the organization	(1) Establish a R&D management system within the organization and division to monitor the investment for R&D. Prepare an auxiliary account for R&D expenses; (2) Set up an internal science technology R&D organization with the corresponding research conditions, and establish cooperation in various forms with R&D organizations within and outside PRC; (3) Establish a system regarding the transformation and implementation of the achievements for science technology and provide incentives accordingly; and set up an open and innovative business platform; and (4) Provide continuous development and technical training for the scientific and technological personnel. Hire talents and set up a system to assessment the performance of those personnel and provide incentives accordingly.	This requirement is a soft indicator. As of now, the Valued Entity basically satisfies the standards. The Valued Entity is recommended to enrich its management standard according to its actual situation to attain a higher recognition.

Conclusion: If the Valued Entity is able to satisfy the requirements stated in the Management Methods for High and New Technology Enterprise (Guoke Fahuo [2016] No. 32) & Recognition and Guidelines for High and New Technology Enterprise (Guoke Fahuo [2016] No. 195) in 2017, it can apply for such qualification during the year.

Note: As at the Benchmark Date, the Valued Entity is not a High and New Technology Enterprise. The Valued Entity is expected to obtain such certification in 2017 by preparing and filing the required information for the qualification. For 2017, the application period for the High and New Technology Enterprise qualification commences in June. Therefore, as of 2 May 2017, the Valued Entity has not submitted its application.

FORECAST ON FUTURE ANNUAL CASH FLOW

This annual cash flow forecast of Baoteng Internet in history is made after overall analysis and study, based on the simulation report approved from 2014 to 30 June 2016, abided by the existing laws and regulations of China, through an analysis on China's macro policy, the status and development prospects of the industry to which the company belongs, and Baoteng Internet's competitiveness and its business operations in history, and on the basis of the future annual business projections provided by Baoteng Internet and the above mentioned assumptions of valuation and restrictive conditions. The Baoteng Internet IDC data rooms in service by the valuation benchmark date is the 1st phase data rooms in Shenzhen Guanlan, with the second phase going to be put into operation. The data rooms mentioned above are constructed and operated by the original controlling shareholder — Powerleader Science & Technology, cooperated with Telecom carriers. Upon this acquisition, Powerleader Science & Technology will transfer Shenzhen Guanlan 1st phase and 2nd phase related IDC business to Baoteng Internet.

(I) Forecast on revenue from main business

1. Details on annual revenue from main business in history

Baoteng Internet's main business includes providing infrastructure services for Internet Data Centre (Internet Data Centre, the IDC) and value-added services based on Internet data centres. Detailed revenue types are divided into IDC business, IDC service outsourcing and IDC cloud business. Annual main business revenue in history is mainly from the 1st phase Shenzhen Guanlan data rooms and bandwidth, as well as CDN business. CDN business forecast years are all separated to Speedtop, thus this will no longer be predicted in forecast years. Business revenue from 2013 to 30 June 2016 is as follows:

Unit: RMB

		Years in History			
Name of Product or Service	**Year/Programme**	**2013**	**2014**	**2015**	**January–June 2016**
Shenzhen IDC Data Room (1st Phase)	Number of Powered-on Racks	—	106	379	613
	Annual Revenue	—	3,564,339.01	24,968,536.42	19,835,608.54
	Accounts for Total Revenue	0.00%	74.82%	98.90%	98.94%
CDN Business	Revenue	1,074,724.80	1,199,689.49	278,184.81	212,476.38
Total		1,074,724.80	4,764,028.50	25,246,721.23	20,048,084.92

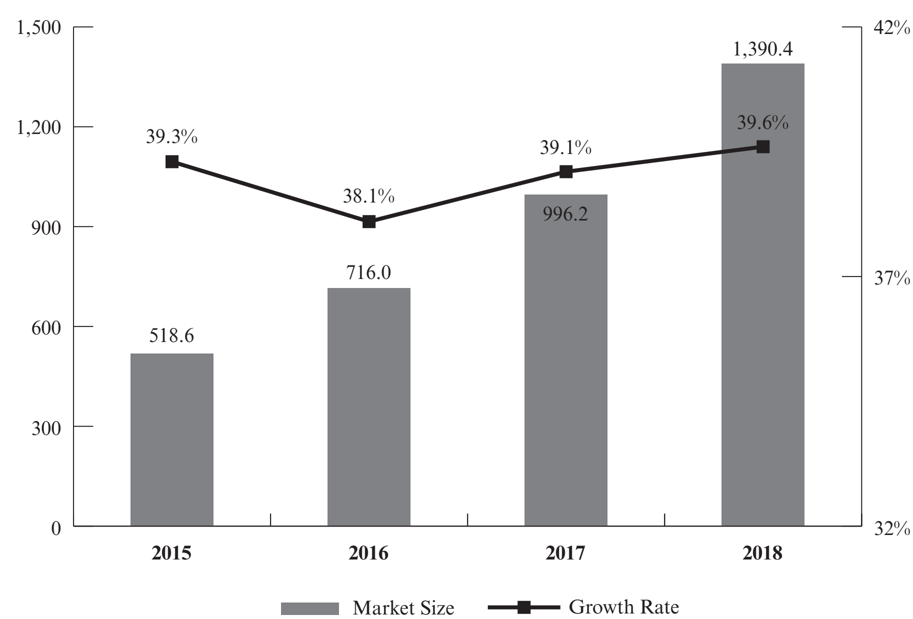
2. *Forecast process of main business*

This valuation is based on corporate operation in history, the adjustment of its businesses, development trend of IDC industry and its data centre construction and future utilizing to predict the company's main business revenue in the future. Details are as follows:

(1) Development prospects of IDC industry

Influenced by the rapid growth of two sides of supply and demand, China IDC market continued its rapid growth in 2015, with total market size being RMB51.86 billion, recorded a year-on-year growth of 39.3%.

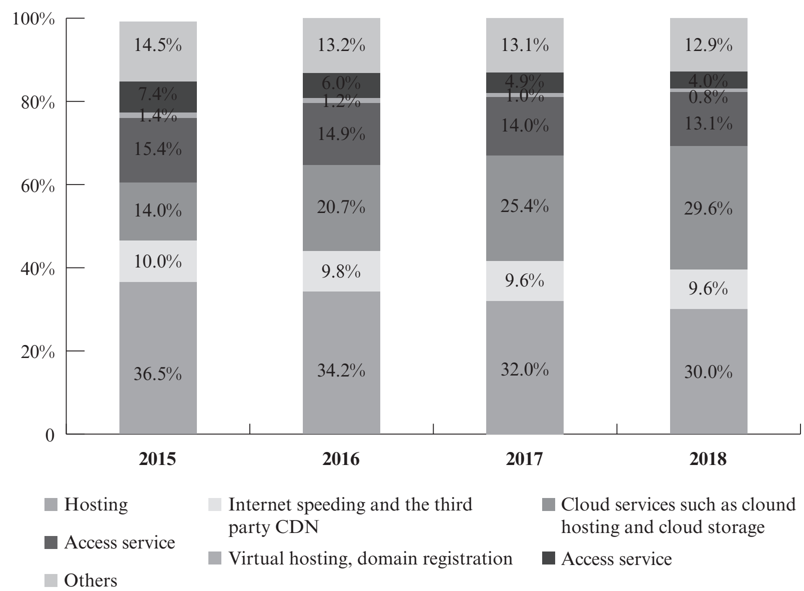
IDC market will maintain a high growth rate in the coming three years, with growth speed of IaaS market segment far exceeding the traditional IDC market segment. As part of large cloud service providers achieved double growth in 2015, which drove the IaaS market growing by over 80%, its growth speed in 2016 is expected to be further enhanced, and traditional IDC services market will also maintain high growth trend with growth speed slightly slowing down. According to China IDC circle, overall IDC market growth in the next three years will be maintained at over 35%. By 2018, China's IDC market size will reach nearly RMB140 billion, growing at 39.6%.



Source: China IDC Circle May 2016

As for business structure, from the change trends of China IDC market products, it can be seen that, customer will be more and more willing to accept them as the cloud services enhanced in areas such as availability, reliability and security. Small particles hosting customers, virtual hosting and hosting renting customers will gradually move towards cloud hosting. Cloud services such as cloud hosting and cloud storage will enter into the outbreak period of growth in the next three years, with the proportion significantly enhanced. By 2018, the cloud service is projected to reach 29.6%. The current CDN network built by professional CDN service providers in China has achieved national coverage of 90%. The outbreak of traffic brought by development of areas such as 4G, cloud, mobile applications and video has brought about more pressing demands on CDN. Meanwhile, the upgrades on backbone network capacity made by carriers also provides good infrastructure environment for accessing to services. Therefore, in the next three years, performance proportion of access services and CDN business will remain relatively stable.

Trends of Business Structure Changes in China's IDC Market from 2015 to 2018



Source: China IDC Circle May 2016

The increasing of emerging cloud service providers also brings enormous pressure on traditional IDC industry service providers. Enhancing service level through cloud technology has become core strategies for a lot of IDC service providers. Therefore, in China's overall cloud services market, quality and quantity of products are improving constantly, and there are more and more local cloud service providers. From the overall IDC industry, it can be seen that investment has increasingly been directed towards cloud computing. Public cloud services have been gradually recognized in the competition with its market share continuing to expand and public cloud market share of IaaS cloud infrastructure accounting for over half of public cloud industry revenues. In addition, the IaaS customers' cost-saving effect is very apparent, while SaaS and PaaS are mainly engaged in flexible access to services and service efficiency, thus its cost savings is relatively weakened. Profitability is the main consideration for the prospect of an industry. As a subversive industry, its cost-saving effect compared with the traditional way has great impact on its profitability. Therefore, from the recent trend it can be seen that, data centre services with cloud technology as the core will be the fastest growing segment in IDC industry.

(2) Forecast on detailed revenue

1) Forecast on revenue from Shenzhen Guanlan 1st phase

① Analysis on monthly revenue

Shenzhen Guanlan cloud computing data centre works with carriers, whom are Shenzhen Unicom and Shenzhen Mobile in the 1st phase.

In May 2014, the 1st phase was approved and gradually put into operation, with a total of 760 racks and its data rooms managed by the enterprise. Data rooms would have fragments during operation, namely, the use rate is less than 100%, not all powered on. Thus after taking into account the certain fragment rate, the number of fully loaded racks in the 1st phase is 728. The 1st phase contract agrees to provide 240 42U standard racks to Shenzhen Mobile, with the single rack capacity being 2.64KVA (12A), and provide 5 Mobile use racks to the latter. Shenzhen Mobile is responsible for investment on Mobile egress bandwidth and transmission in associated programme, and guaranteeing quality, capacity and reliability of bandwidth. Powerleader Science & Technology is responsible for investment on property, mains, data room infrastructure and network equipment in associated programme, and guaranteeing availability and reliability of infrastructure. Speedtop is qualified to sell IDC products and undertakes the sales task which Baoteng Science & Technology undertakes.

Contract of the 1st phase agrees to offer 507 racks to Shenzhen Unicom. Powerleader Science & Technology is responsible for investment and construction of data rooms, including data room infrastructure, IDC racks, power resources, fire extinguishing, refrigeration and security facilities etc. Shenzhen Unicom is responsible for investment and construction of egress data equipment in data rooms, and providing quality Internet bandwidth access to IDC data rooms and fixed IP address.

It is agreed in the contract signed by Powerleader Science & Technology and Shenzhen Unicom that, the former shares 90% of rack income and 10% of bandwidth income. Contract signed with Shenzhen Mobile agrees that Powerleader Science & Technology shares 60% of rack income, and for bandwidth business, respective settlements will be made according to different customers. 5% of incomes from expanded customers from Shenzhen Mobile and 10% of incomes from Speedtop will go to Powerleader Science & Technology. In addition, Powerleader Science & Technology provides data centre rack services according to the requirements of Shenzhen Mobile, with a service fee of RMB1,690 per month for each rack (including tax) paid by the latter.

A. Shenzhen Unicom

According to the bill on 30 June 2016, there were 489 loaded racks of Shenzhen Unicom in June, with the single rack earning being RMB5,857/rack/month (tax not included). In addition, according to the actual condition of the benchmark date, bandwidth income per rack provided by Powerleader Science & Technology is RMB50/month (including tax). Thus it is calculated that monthly income from customer rack and bandwidth of Powerleader Science & Technology and China Unicom is RMB5,904/rack/month (tax not included). In addition, according to the monthly statement with China Unicom, among the income from Unicom's rack, Huawei has a monthly income of RMB10,260.00 from office place and spare room etc, with revenue excluding tax being RMB8,769.23/month. In the predicted year, this part of monthly income is based on historical annual revenues amount.

B. Shenzhen Mobile

a. Revenue from rack service fee

According to the cooperation contact signed between Powerleader Science & Technology and Shenzhen Mobile, the latter promises to complete 50% racks sales within 12 months from the official operation date of the data room, namely, selling 120 racks. If Shenzhen Mobile fails to complete the sales amount, ① then it begins from the 13th month to pay Internet data centre services fee of RMB1,690/rack/month based on 120 racks to Powerleader Science & Technology. ② Powerleader Science & Technology undertakes that its qualified agent Speedtop will sign an underwriting agreement for 40% of racks (96 machine racks) with Shenzhen Mobile within one month from the official operation day, and sell not less than RMB5,000/rack/month. In case Speedtop fails to complete the sales amount within 12 months from the official operation day, it begins from the 13th month to make payment based on 96 racks. If Shenzhen Powerleader Science & Technology and Shenzhen Mobile sold over 90% of the total racks, namely, 216 racks, it shall be deemed that the two parties completed the sales quota. According to the corporate bill, it has been calculated based on 216 billing racks since August 2015, that is to say, the two parties completed the sale quota. As of the valuation benchmark date, the number of Shenzhen Mobile's loaded racks is recorded as 162 with service fees still calculated based on 216. When the number of loaded racks exceeding 216, calculating base for service fees will be confirmed according to the number of actual loaded racks.

b. Revenue from rack and bandwidth

Rack revenue's settlement price is RMB5,000/rack/month (including tax). According to the contract, Powerleader Science & Technology shares 60% of this part of income, with each rack's monthly income being RMB2,564.10 (not including tax). Bandwidth revenue is about RMB150,000/month (including tax) according to the actual conditions on benchmark date.

Details are as follows:

Unit: RMB

Customer	Number of Loaded Racks in June	Charging Items	Monthly Revenue (not including tax)
Shenzhen Unicom	489	Single rack revenue (empty rack)	5,857.00
		Revenue from single rack bandwidth	47.00
		Single rack revenue in total (rounded)	5,904.00
Shenzhen Mobile	162	Single rack revenue (empty rack)	2,564.10
		Revenue from single rack service fee	1,594.34
		Single rack's monthly revenue in total (rounded)	4,158.44
		Monthly revenue from bandwidth	141,509.34

② Analysis on quantity of billing racks in a month

According to the latest bill provided by the company on 30 June 2016, the number of Shenzhen Unicom's loaded racks is recorded as 489, with Shenzhen Mobile 162 and 651 in total. By the end of July 2016, Shenzhen Mobile's loaded racks are accumulated as 188, with Shenzhen Unicom 490, and 678 racks in total are recorded in the 1st phase.

By July, Shenzhen Unicom's rack charging rate has reached 96.65% and been fully loaded. Shenzhen Mobile is expected to reach full load in August 2016, with its number of loaded racks being 238 when fully loaded.

According to the above analysis, monthly revenue of Shenzhen Guanlan 1st phase during July to December 2016 is predicted as follows:

Unit: RMB

Date	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
Number of Loaded Racks (Unicom)	490	490	490	490	490	490
Revenue from Loaded Racks	2,892,960.00	2,892,960.00	2,892,960.00	2,892,960.00	2,892,960.00	2,892,960.00
Number of Loaded Racks (Mobile)	188	238	238	238	238	238
Revenue from Mobile Rack and Bandwidth	967,938.36	1,131,218.83	1,131,218.83	1,131,218.83	1,131,218.83	1,131,218.83
Revenue from Service Fee of Mobile's Own Racks	7,971.70	7,971.70	7,971.70	7,971.70	7,971.70	7,971.70
Revenue from Renting Fee of Huawei's Office Places, etc.	8,769.23	8,769.23	8,769.23	8,769.23	8,769.23	8,769.23
Total Number of Monthly Loaded Racks	678.00	728.00	728.00	728.00	728.00	728.00
Monthly Revenue	3,877,639.29	4,040,919.76	4,040,919.76	4,040,919.76	4,040,919.76	4,040,919.76
Total	24,082,238.09					

2) Forecast on revenue from Shenzhen Guanlan 2nd phase

Shenzhen Guanlan 2nd phase is expected to gradually be put into service from September 2016 with the rack number being 680, taking into account the company's own racks and a certain rate of segments (including the racks used in cloud cluster), the number of racks when fully loaded is 610. Service of the data centre is mainly for Internet companies and carriers themselves. The 2nd phase ended in July 2016 with 400 racks have been confirmed to be rented by Shenzhen Unicom customers, among which, Huawei determined to rent 300, and the left 210 racks will be gradually sold.

① Analysis on quantity of racks that are powered on

Racks in the 2nd phase will gradually be charged in September 2016, and is expected to achieve full load in July 2017. According to the monthly statements in the Guanlan 1st phase provided by the company, monthly added number of racks is analysed. It is concluded that charging racks are seldom added influenced by the Spring Festival in February to March each year, while newly added rack numbers vary little in other months.

It takes about two years for Guanlan 1st phase going from the beginning of rack charging to fully-loaded. It is mainly because that Powerleader Science & Technology's IDC business is from scratch and develops slowly at the beginning. The 2nd phase Baoteng Internet still cooperates with Shenzhen Unicom based on the cooperation in the 1st phase. Main customer in the 1st phase is Huawei, which scheduled 300 racks in July 2016, and those 300 racks are expected to be gradually loaded since September. In addition, Guangzhou Sunhongs Info Technology Corporation Limited and China Pacific Insurance also determined to rent 50 racks respectively in July 2016.

Under the current conditions of company's data room debugging, 60 racks are expected to be loaded in September 2016. According to current clients and sales analysis, the monthly rack power-on rate for the 2nd phase will be higher, so the period needed to reach full load will be shortened.

② Forecast on revenue from single rack

Due to most racks in the 2nd phase are still provided to Shenzhen Unicom, its power density has little difference with that in the 1st phase. In the cooperation with Unicom in the 2nd phase, revenue share of single rack is same with that in the 1st phase. Thus monthly revenue per rack (average revenue per rack for fully-loaded 728 racks) in the 2nd phase is confirmed according to the figure in the 1st phase, that is, RMB5,551.00 (not including tax).

Based on the foregoing analysis, from July to December 2016 and from January to December 2017, the number of loaded racks per month and revenue are predicted as follows:

Monthly revenue from July to December 2016 is as follows:

Unit: RMB

Date	**July 2016**	**August 2016**	**September 2016**	**October 2016**	**November 2016**	**December 2016**
Number of Loaded Racks	0	0	60	120	180	240
Monthly Revenue per Rack (not including tax)	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00
Monthly Revenue	—	—	333,060.00	666,120.00	999,180.00	1,332,240.00
Total	3,330,600.00					

Monthly revenue from January to June 2017 is as follows:

Unit: RMB

Date	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Number of Loaded Racks	300	320	350	410	470	530
Monthly Revenue per Rack (not including tax)	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00
Monthly Revenue	1,665,300.00	1,776,320.00	1,942,850.00	2,275,910.00	2,608,970.00	2,942,030.00

Monthly revenue from July to December 2017 is as follows:

Unit: RMB

Date	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
Number of Loaded Racks	610	610	610	610	610	610
Monthly Revenue per Rack (not including tax)	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00	5,551.00
Monthly Revenue	3,386,110.00	3,386,110.00	3,386,110.00	3,386,110.00	3,386,110.00	3,386,110.00

In the above analytical prediction based on data centre of Shenzhen Guanlan 1st phase and 2nd phase, price changes of data centre in the operation process are not taken into consideration. As the market changes, unit price of rack related business will also change. Details are as follows:

Internet data centre services is kind of regional. Firstly, due to Internet develops soundly in coastal cities and developed areas, network facilities are sound and network applications are popular. Thus Internet data centres are primarily in economically developed areas which mainly include Bohai industrial belt, Yangtze River Delta and Pearl River Delta. Besides, due to Internet data centre highly demands of energies such as power, Western areas with abundant energies and intensive resources have great advantages in developing Internet data centres. Thus these areas also attracted a lot of IDC service firms to settle in. According to IDC circle (IDCquan.com), data centre resources of Beijing, Guangzhou and Shanghai account for 44% of the country's total, with data centre resources in Guangdong Province alone accounting for 14%.

Although Beijing, Guangzhou and Shanghai's data centres account for a large proportion of the national data centre resources, data centres in such first-tier cities as Beijing, Shanghai, Guangzhou and Shenzhen are still in short supply. Due to factors of limited resources, rigorous approval process as well as high costs, business development in the above areas will need more funds, and fewer new data centres are added in these areas.

As for carriers, the three major carriers respond actively to China's national policy on networking speed increase and cost reduction. Associated detailed plans are implemented consecutively in 2016 and wireless network traffic growth will accelerate. Currently, strategies of China Mobile and China Telecom on speed increase and cost reduction in 2016 have been released. China Unicom's plan will also be launched soon. Among which, China Mobile will fully carry out its fixed broadband business and build fixed broadband network with 50M access capacity in most cases, then national average access rate will reach over 20M. In terms of reducing fees, it will expand the coverage range of eight measures on speed increase and cost reduction, and try to cover over 300 million subscribers by the end of 2016. Thresholds on 4G package and voice SMS non-limited package will also be lowered and international roaming charges will keep decreasing. China Telecom is expected to make its broadband subscribers' average access rate at 30M by the end of 2016, with broadband of hundreds of megabytes users reaching 30%. Rapid growth of wireless network traffic also increases the demands on bandwidth for Internet data centres.

Downstream demands accelerated the construction of upstream data centre. As the increasing of data centre construction in third- and fourth-tire Chinese cities, for improving Internet transmission speed, the three major carriers deployed BGP network controlled by advanced routing to improve the use of Internet bandwidth. But meanwhile, capital investment is high as well. In the Internet age, excellent experience of the network environment is the core competitiveness for major Internet companies. Compared with data centres in remote cities, existing data centres in the first-tier cities will be Internet companies' primary consideration and choice.

In terms of customer resources, network latency and maintenance personnel, data centres in the first-tier cities — Beijing, Shanghai, Guangzhou and Shenzhen have incomparable advantages over remote areas, and have become the data "cache" with high demands on real-time capability, while remote areas mainly play the roles of memory and hard disk.

As for Baoteng Internet Shenzhen Guanlan 1st phase and 2nd phase data centres, the 1st phase is expected to be fully-loaded in August 2016, and the second phase in July 2017. When the above data centres are fully loaded and customers become relatively stable, it can be concluded based on the analysis of the above mentioned market that, the above data centres will see growth from 2018, with annual growth rate expected to be 2% from 2018 to 2021.

After the above analysis, revenue from rack renting and bandwidth of Shenzhen Guanlan 1st phase and 2nd phase in the prediction year is predicted as follows:

Unit: RMB

Name of Product or Service	Year/Programme	Prediction Year July–December 2016	2017	2018	2019	2020	2021
Shenzhen Guanlan 1st Phase Data Room	Amount	24,082,238.09	48,491,037.12	49,460,857.86	50,450,075.02	51,459,076.52	52,488,258.05
	Number of Loaded Racks	678.00	728.00	728.00	728.00	728.00	728.00
Shenzhen Guanlan 2nd Phase Data Room	Amount	3,330,600.00	33,528,040.00	41,445,986.40	42,274,906.13	43,120,404.25	43,982,812.34
	Number of Loaded Racks	100	503	610	610	610	610
Total		27,412,838.09	82,019,077.12	90,906,844.26	92,724,981.15	94,579,480.77	96,471,070.39

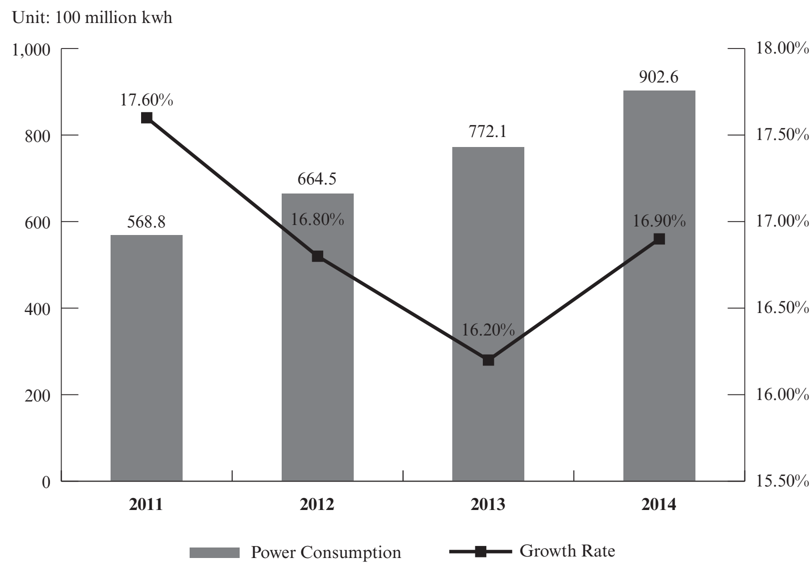
3) Outsourcing of IDC operation maintenance

① Market of operation maintenance outsourcing industry

Since large enterprises increased their customized demands on data centres and IDC service providers' ability in providing customization is insufficient, more and more large enterprises in Internet and financial industries increased investment in building their own data centres. But in 2014, when building their own data centres, the problem of high cost stands out. On one hand, since construction ability of enterprises in Internet and financial industries has not gone far enough, construction period is too long and cost problems cannot be effectively solved. On the other hand, power, cooling and other systems in data centre operations are highly specialized, while enterprises' lack of operating experience has resulted in high cost in many cases. Division of markets in data centre in the future will be clearer and some large enterprises will decrease their own data centres to reduce costs, and to meet customized demands through co-construction. More and more data centre operation services will also be taken over by professional IDC service providers.

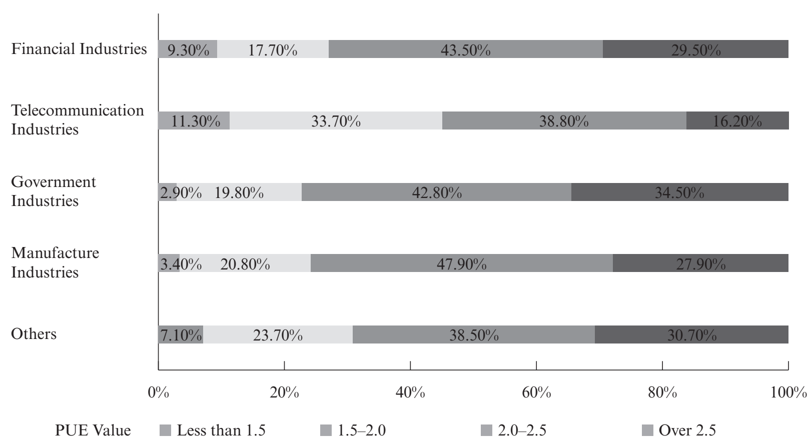
China data centre energy consumption is as follows:

China Data centre energy consumption



Source: GDCT, Headquarters of China's CIC Securities Research

Energy consumption of data centre in various industries



Source: GDCT, Headquarters of China's CIC Securities Research

From the chart above, it can be concluded that, costs on follow-up operation and maintenance will be high and will become a major problem for cost controlling in that process.

In recent years, the Internet giants, represented by BAT (Baidu, Alibaba and Tencent), have invested in building large-scale data centres so as to promote the strategy of cloud service. The overall supply in the industry maintains a rapid growth. At the same time, business diversification is very common in the data centre industry. With the capability of integrating capital and basic resources, a large number of real estate, finance and other industries continue to enter the data centre market, building on a large scale. The diversified enterprises often have no experience in the construction, operation and maintenance of data centre. However, with the data centre industry matures and faces increased competition, the operation and maintenance of data centre will raise higher requirements on professionalism and completeness. Therefore, the cooperation with the suppliers of operation and maintenance will be the best choice for the diversified enterprises. On the other hand, due to personnel management, operation costs and other issues, the medium-and-large data centres built by carriers or industry leaders often focus on their own businesses with operation and maintenance outsourced.

Baoteng Internet has a professional IDC team with team members boasting rich project experience. Baoteng Internet's outsourcing service mainly provides other IDC service providers with the operation and maintenance of data centre based on the existing data centre operation team and the experience in operation and maintenance. The operation and maintenance team of Baoteng Internet is recognized by the industry in terms of the management architecture, process optimization, energy saving and emission reduction of data centre.

Baoteng Internet's advantages in the outsourcing service of operation and maintenance are as follows:

— Powerleader is China's leading provider of neutral data centres and cloud services.

— There are five self-built data centres across the country, accumulating rich experience in the building of data centres.

— Powerleader boasts sound and efficient service management processes and service systems for data centres.

— The operation and maintenance work is implemented according to the work standards of ISO27001/20000.

— Powerleader supports, helps and serves China Mobile to establish the relevant IDC management processes and service systems in some provinces, cities and regions, such as Guangdong, Sichuan and Tianjin.

— Construct data centers for China Telecom and provide data room services in Guangzhou, Shenzhen, Chengdu and Beijing, etc.

— Provide China Unicom with data room services, design consulting and cooperative operations in Shenzhen, Guangzhou, Langfang, Beijing and Tianjin, etc.

② Analysis of the number of the data centres for outsourcing

The company's target customers include Huawei, carriers such as China Mobile and China Unicom, financial industry customers (banks and securities companies), government agencies and other internet companies who have self-built data centres.

Baoteng Internet's target data room of the outsourced operation and maintenance is to have more than 1,000 racks with a data room area of more than 8,000 square meters.

According to Baoteng Internet's understanding of Huawei's IDC construction, Huawei sees cloud computing as a strategic focus for its development. In order to support the development of cloud computing, Huawei will build a large number of data centres around the world. Before and after 2014, Huawei cooperated with the government in building data centres around the country, deploying data centres in 20 cities such as Ulanqab, Karamay, Yuxi, Nantong, Yunfu, Suzhou, Huzhou, Tianjin and Dongguan. These data centres will be completed and put into operation successively in the next few years. Huawei's each data centre in different places has about 1,500 racks. The project outsources the daily operation and maintenance of power, air conditioning and other infrastructure, with a three-year contract and a total price of about RMB15 million.

According to the early communication with carriers, their recent outsourcing projects include Guangdong Mobile's data centre (1,165 racks in total) at Baoguan, data centre (2,043 racks) at Sanshui, Foshan and data centre (2,400 racks) at Guangzhou South Base.

Guangdong Telecom's data centre (2,200 racks) at Fuyong, Shenzhen and Guangzhou Asia-Pacific Info Engine data centre (1,738 racks).

Guangdong Unicom's data centre (1,030 racks) at Hualong, Guangzhou and Wuhao data centre (2,000 racks) at Yantian, Shenzhen.

From the second half of 2016, the company will proactively follow and participate in the tender for the outsourcing of the operation and maintenance of data centres, currently following five to six outsourcing tenders with four Huawei data centres, one ZTE data centre and one China Mobile data centre. As Powerleader has a good experience in working with Huawei in the self-built data centre and Baoteng Internet's professionalism in operating and maintaining data centres is recognized by Huawei and the industry, the company is expected to win two to three operation and maintenance outsourcing projects in the second half of 2016 by virtue of the good cooperation with Huawei and carriers.

The number of operation and maintenance outsourcing projects from 2017 to 2021 is analyzed and determined by the number of the data centres that the above target customers plan to outsource as well as by the market condition.

According to the statistics of China Investment Securities' analysis of the communications industry's IDC development prospect and investment opportunities, the growth of medium and large data centres from 2013 to 2015 around the country is as follows:

Data Centre Size	Subdivision	Area	New Centres in 2013	New Centres in 2014	New Centres in 2015
Medium	Medium-Large	800–3,000 square meters	271	269	272
Growth Rate of Medium Data Centres				–0.74%	1.12%
Large	Large	3,000–10,000 square meters	59	61	75
	Growth Rate			3.39%	22.95%
	Ultra-Large	More than 10,000 square meters	19	21	28
	Growth Rate			10.53%	33.33%
Growth Rate of Large Data Centres				5.13%	25.61%
		Total	349	351	375

From the above table we can see that the scale of data centres keeps expanding with the development of IDC industry. The growth rate of large data centres reached 33.33% in 2015. According to the development of the IDC industry overseas, with the development of the industry, the major task for the industry at the mature stage is to make the existing data centres bigger and stronger. The development trend of data centres at home is also consistent with the characteristics of industry development.

Moreover, for a data centre that covers an area of more than 5000 square meters, there are about 50,000 such data centres in the country. From the above table we can see that the sequential growth of medium and large data centres reached over 25% in 2015. According to the development trend in the IDC industry, the data centre is getting bigger and stronger, with the green data centre being increasingly prominent in the industry development, medium and the growth of large data centres being still high.

According to the above analysis, the number of outsourcing projects in the forecast years is forecasted as follows:

Year/Programme	July–December 2016	2017	2018	2019	2020	2021
Number of Programmes	1.00	4.00	7.00	10.00	13.00	15.00

③ Determination of the operation and maintenance revenue of a single data centre

The scale of an outsourcing project is based on the quantity of the infrastructure of data centre as well as on the difficulty of operation and maintenance. The total amount of the corresponding workload is calculated according to the corresponding SLA, and the manpower for operation and maintenance needed by the project is estimated accordingly. The customer pays for the project by the number of workers. What's more, Baoteng Internet can also provide customers with additional value-added services, for example, to help customers optimize the power system through the green energy-saving package program so as to cut power costs. The added service is settled separately by project.

The operation and maintenance outsourcing project generally charges according to the number of dispatched personnel, with a standard rate of RMB10,000/person/month. The company's target customer is who has a data centre of more than 1,000 racks and with an area of more than 8,000 square meters. Such a data centre is manned with about 30 people according to the workload. Accordingly, the annual revenue of a single outsourcing project is about RMB3.6 million (including tax). Considering that the company may undertake a smaller data centre, the annual revenue of a single outsourcing project is considered as RMB2.5 million (including tax).

According to the above analysis, the revenues of the operation and maintenance outsourcing projects in the forecast years are forecasted as follows:

Service	Year/Programme	Unit	Prediction Year July–December 2016	2017	2018	2019	2020	2021
Outsourcing of Operation and Maintenance	Number of Programme(s)		1	4	7	10	13	15
	Revenue of a Single Project	RMB	1,179,245.00	2,358,491.00	2,358,491.00	2,358,491.00	2,358,491.00	2,358,491.00
	Total Revenues of Projects	RMB	1,179,245.00	9,433,964.00	16,509,437.00	23,584,910.00	30,660,383.00	35,377,365.00

4) IDC cloud

IDC cloud is that the company uses the fragmented racks of one's own data centre, purchases servers and connects them to be a number of virtual host clusters, and then lease the virtual host clusters. Because Baoteng Internet does not have the value-added telecommunication business license, the virtual host will be sold to Speedtop by Baoteng Internet after it is completed, and then Speedtop will sell it to others.

The revenue from this business is forecasted according to the number of virtual hosts calculated based on the number of fragmented racks of each data centre as well as to the current price of virtual hosts.

According to the configuration of virtual hosts, two racks can be used to form a cluster. According to the full load rate of the 1st phase and 2nd phase data centres, the number of the fragmented racks of the 1st phase and the 2nd phase and the number of virtual hosts that can be formed are as follows:

Unit: Piece

Year		2016	2017	2018	2019	2020	2021
Number of Fragmented Racks	1st Phase	27.00	27.00	27.00	27.00	27.00	27.00
	2nd Phase	65.00	65.00	65.00	65.00	65.00	65.00
	Total	92.00	92.00	92.00	92.00	92.00	92.00
	Number of Cloud Clusters	46.00	46.00	46.00	46.00	46.00	46.00

① Forecast on the revenue of a single cluster

As every 2 racks can form 1 cloud computing cluster, one cluster needs 20 servers and 4 switches, the hardware investment is about RMB360,000 with 240 standard virtual cloud hosts for each cluster (configured with quad core/8G/500G). According to the current market condition, the rental price of each cloud cluster is about RMB2,500.00 per year; therefore, the revenue of each cluster is about RMB600,000.00 (including tax).

② Analysis of the number of new clusters each year

The number of new clusters each forecast year is analyzed and forecasted according to the industry development at the current stage and market prospects.

According to the government policy at this stage, the cloud computing will be the inevitable trend of informatization. At the beginning of 2015, the State Council issued the Opinions of the State Council on Promoting the Innovative Development of Clouding Computing and the Cultivation of the New Business Types of Information Industry. This issuance points out that the cloud computing is a new business type pushing information technology capabilities to achieve on-demand supply, promoting information technology and the full use of data resources. The cloud computing is an important transformation and inevitable trend of informatization development. We shall vigorously develop the public cloud computing service, implement the cloud computing projects and support the information technology company to accelerate the transition to cloud computing products and to be a service supplier. We shall enthusiastically develop the leasing of computing and storage resources, the platform service of application software development and deployment and the online application services like business management, research and development and design so as to lower the threshold of enterprise informatization and innovation costs, support the development and entrepreneurial activities of medium and small enterprises. We shall proactively develop the cloud computing-based personal information storage, online tools and learning and entertainment services to nurture information consumptions. We shall develop safe and credible the cloud computing outsourcing service to promote the outsourcing of government businesses. We shall support the integration of cloud computing with technologies and services such as the Internet of things, mobile Internet, Internet finance and e-commerce as well as the innovative application so as to proactively cultivate new business types and new models.

In terms of market, China's IDC circle reported on 18 August, according to the latest IDC forecast, the expenditure on global public cloud services will reach USD195 billion in 2020. This figure was nearly USD70 billion in 2015 and is estimated to be USD96.5 billion this year. This means that the annual compound growth rate of the expenditure on global public cloud services will have reached 20.4% from 2015 to 2020.

"Over the next five years, the cloud software will outweigh the delivery of traditional software products, with a growth rate of nearly three times of the overall software market, which will become the main driving force on all the functional software markets," said Benjamin McGrath, a senior analyst of SaaS and business model of IDC company. IDC said that SaaS and PaaS accounted for 83.7% of all public cloud revenues in 2015, and IaaS accounted for the remaining 16.3%. However, during the forecast period, the expenditure of IaaS and PaaS is expected to exceed the growth of SaaS expenditure and will account for more of the overall public cloud revenue.

According to the development of domestic cloud computing, on the whole, the quantity and quality of the products on the Chinese cloud service market are continuously improving and the number of local cloud service providers is increasing. Seen from the whole IDC industry, investment is increasingly inclined to cloud computing. The public cloud service has gradually been recognized in the competition, with growing market shares. The market share of IaaS cloud facilities accounts for more than half of the total revenue of the public cloud industry. Seen from the situation that the service provider provides public cloud on the Chinese IDC market, 64.5% of service providers provide public cloud service through home-grown research and development or proxy in 2015, representing a 3.2% increase compared with 2014.

In 2005, Ali Cloud as the representative of the cloud service providers entered into a fast revenue growth period. Seen from the service provider's revenue of public cloud, 15.3% of service providers have public cloud revenue of more than RMB5 million, increased by 1.2% compared with 2014. 8.5% of service providers receive public cloud revenue of from RMB5 million to RMB10 million. 3.0% of service providers receive public cloud revenue of from RMB20 million to RMB50 million. As the enterprise customers much more recognized the public cloud service in 2015, service providers' enterprise customers for public cloud have increased generally. According to the survey, 40.5% of medium-and-small service providers have less than 100 enterprise customers, 38.3% of them have 100 to 500 enterprise customers and 12.7% have 500 to 1,000 enterprise customers. Moreover, the development of medium and small service providers needs a long time for resource accumulation and market cultivation. The growth of the number of large service providers who have more than 1000 enterprise customers is limited, accounting for 8.5%, slightly declined compared with 2014. (The above data is from the IDC circle)

Baoteng Internet uses the fragmented racks of data centres to develop cloud clusters so as to provide the cloud computing service mainly to small enterprises. According to the current development of cloud computing, the number of new clusters each forecast year and the number of accumulated clusters are as follows:

Year/Programme	July–December 2016	2017	2018	2019	2020	2021
Number of Newly Sold Clusters	2	10	10	10	10	4
Number of Accumulated Clusters	2	12	22	32	42	46

After the above analysis, the revenues of IDC cloud business in forecast years are forecasted as follows:

Year/Programme	July–December 2016	2017	2018	2019	2020	2021
Number of Clusters	2.00	12.00	22.00	32.00	42.00	46.00
Revenue of a Cluster	566,037.74	566,037.74	566,037.74	566,037.74	566,037.74	566,037.74
Total	1,132,075.48	6,792,453.00	12,452,830.00	18,113,208.00	23,773,585.00	26,037,736.00

(3) Forecasts of the revenue of main businesses

The forecasts of the revenues of main businesses in forecast years are as follows:

Unit: RMB

Name of Product or service	Year/Programme	Forecast Year July–December 2016	2017	2018	2019	2020	2021
Shenzhen Guanlan IDC Data Room (1st Phase)	Amount	24,082,238.09	48,491,037.12	49,460,857.86	50,450,075.02	51,459,076.52	52,488,258.05
	Number of Powered-on Racks	678.00	728.00	728.00	728.00	728.00	728.00
Shenzhen Guanlan IDC Data Room (2nd Phase)	Amount	3,330,600.00	33,528,040.00	41,445,986.40	42,274,906.13	43,120,404.25	43,982,812.34
	Number of Powered-on Racks	100	503	610	610	610	610
Operation and Maintenance Outsourcing	Amount	1,179,245.00	9,433,964.00	16,509,437.00	23,584,910.00	30,660,383.00	35,377,365.00
	Number of Programmes	1.00	4.00	7.00	10.00	13.00	15.00
Cloud Business	Amount	566,037.74	6,792,453.00	12,452,830.00	18,113,208.00	23,773,585.00	26,037,736.00
	Number of Clusters	2.00	12.00	22.00	32.00	42.00	46.00
Total		29,158,120.83	98,245,494.12	119,869,111.26	134,423,099.15	149,013,448.77	157,886,171.39

(II) Forecasts on costs of main business

1. *The previous condition of the costs of main businesses*

Baoteng Internet's previous annual costs of main businesses are mainly the operating cost of the 1st phase data rooms in Guanlan, Shenzhen and the cost of some CDN business. As the annual CDN business is expected to be separated out and integrated into Speedtop, this business will not be analyzed anymore. The details of the costs of Baoteng Internet's main businesses from 2014 to June 2016 are as follows:

Currency unit: RMB

Business Category	Cost Details	2014	2015	January–June 2016
1st Phase in Guanlan	Electricity	2,203,853.08	9,891,217.11	7,005,886.83
	Depreciation	2,926,217.04	9,352,545.88	4,748,174.70
	Diesel	7,310.00	8,310.00	
	Renovation		1,538.46	
	Air Conditioning Water Treatment		25,247.25	8,415.75
	Bandwidth Cost		807,081.45	470,691.82
	Oil for Drill			12,624.00
	Property Rent			
Total		5,137,380.12	20,085,940.15	12,245,793.10

The previous annual costs of the main businesses of the 1st phase data room in Guanlan, Shenzhen are mainly electricity cost and equipment depreciation cost. The electricity cost gets higher with the increase of the number of loaded racks in the data room.

2. Forecasts process of main business

Due to different costs of different businesses, the costs of all businesses are forecasted separately as follows:

(1) 1st phase data room in Guanlan, Shenzhen

According to the structure of the previous annual operating costs of the data room, the costs are mainly electricity and depreciation, followed by air conditioning water treatment, bandwidth and property rent. The forecasts of each cost are as follows:

① Electricity cost

The electricity cost is mainly for the electricity consumed during the powering of racks. The electricity cost of each rack per month is closely related with the frequency of power usage. The capacity of the rack provided by the 1st phase data room in Guanlan to Shenzhen Mobile is 12A (2.6KW) and the rack provided to Shenzhen Unicom has different capacities of 4KW, 6KW and 9KW. According to the number of Mobile's and Unicom's racks powered on the benchmark date, each rack in the 1st phase has the capacity of 15A with a kilowatt hour of RMB0.8. The rack is impacted by the power usage effectiveness (PUE) indicator, power factor and the actual load factor during use. According to the operations of data centre from July 2014 to July 2016, the power factor is considered as 0.9, the actual load factor is considered as 0.8 and the PUE indicator of the 1st phase data centre in Guanlan is 1.55. According to these factors, the electricity cost of a rack every month is about RMB2,121 (15*220/1,000*24*30*1.55*0.8*0.9*0.8) (including tax).

② Depreciation cost

The depreciation cost of data centres is mainly about the depreciation of the equipment of data centres written down every month, including switches, servers, equalizers and other electronic office devices. The forecast of depreciation costs in the forecast year is analyzed and determined according to the company's depreciation policies on the benchmark date and the books of the fixed assets of the 1st phase data centre on the benchmark date.

③ Air conditioning water treatment cost

During the operation, the data centre has certain requirements on the indoor temperature. The precision air conditioner in the data centre features heating and humidification. As the air conditioner is required to keep indoor temperature of 23 ±2℃ and relative humidity of 45% to 65%, the air conditioner produces a lot of waste water when it works. The treatment of the waste water will bring related costs. According to the actual costs of previous annual air conditioning water treatment, the treatment cost is about RMB8,415.75 in a quarter. Analysis and forecasts in the forecast year are made according to the costs in previous years.

④ Bandwidth cost

The previous annual bandwidth costs are the costs of BGP bandwidth value-added service as well as the previous annual CDN costs, which has nothing to do with the rack leasing business nor with the revenue from the bandwidth matched with the single rack. Baoteng Internet adopts the business mode of cooperating with carriers, that is, Baoteng Internet is responsible for investing in data centres and planning, designing, building and managing data centres as required by the final customers. Carriers such China Mobile and China Unicom are responsible for customizing the network bandwidth of data centres as well as for investing in matching network and transmission equipment. Therefore, the bandwidth cost is taken by the carriers.

⑤ Rental fee

Baoteng Internet rents Powerleader's property for the Guanlan data centre. The 1st phase data centre in Guanlan rents an area of 6,156.00 square meters, with a monthly rent of RMB191,880.00 based on the contract. The property fee in the forecast year is forecasted according to the contract.

(2) Second Phase of Shenzhen Guanlan Internet Data Center

The Second Phase of Shenzhen Guanlan Internet Data Center is expected to start powered charging from September 2016. Forecast of the operating cost of the Second Phase of the Internet Data Center should be made with reference to the operating cost breakdown of the First Phase, mainly including the power cost, depreciation expense, air conditioning water treatment fees and rental.

① Power Cost

According to the person in charge of the IDC Internet Data Center Business, there are about 650 cabinets when the Second Phase of Guanlan Internet Data Center reaches its full capacity. The main partner of the Second Phase is Shenzhen Unicom. Half of the cabinets have a capacity of 4KW and others have a capacity of 3.5KW. The average capacity is about 15A per cabinet. According to the abovementioned analysis of the monthly power cost per cabinet of the First Phase, the monthly power cost per cabinet will be RMB2,121.00 (including tax).

② Depreciation Expense

The Second Phase of Shenzhen Guanlan Internet Data Center has been completed on the benchmark date of assessment and was undergoing acceptance and inspection. The future annual depreciation expense will be estimated using the depreciation policy of the company on the benchmark date based on the details of the construction contract for the Second Phase provided by the company and the depreciation period of the equipments specified therein.

③ Air Conditioning Water Treatment Fee

The average capacity of each cabinet of the Second Phase is consistent with that of the First Phase, and therefore the air conditioning water treatment fee of the Internet Data Center will be estimated with reference to that of the First Phase.

④ Rentals

The Second Phase of Guanlan Internet Data Center comprises buildings leased from Powerleader Science and Technology with a total gross floor area of 4,508.45 square meters. According to the relevant contract, the monthly rental is RMB139,900.00. The annual property administrative expenses for the Internet Data Center will be estimated according to the relevant contract.

(3) Operation and Maintenance Outsourcing Business

The cost of the operation and maintenance outsourcing business mainly comprises of labor cost. According to the size of the data centre to be undertaken by Baoteng Internet, an outsourcing project requires about 20 staff. With the increase of the number of outsourcing business projects, project managers can be in charge of multiple projects. For example, two people can be responsible for three projects. The analysis and forecast of annual project labor costs will be carried out according to the changes in the staff of company outsourcing project and the growth of per capita wage.

(4) Cloud Services Business

The cost of the cloud services business mainly includes labor cost, depreciation expense and power cost. The specific analysis is as follows:

① Labor Cost

Cloud services business mainly means that enterprise connect the scattered cabinets of their own Internet Data Centers using servers bought at their own cost to form a number of virtual host cluster, and then sell such virtual host cluster. As Baoteng Internet has no Value-added Telecommunications Business License, it sells the completed virtual host as a whole to Speedtop for further sale. Therefore, the staff of the cloud services business is mainly responsible for the maintenance of the cabinets, and no significant change is expected for the staff each year, which is about 3 staff. The forecast of the per capita wage of the cloud services business will be carried out based on the wage standard of Baoteng Internet as of the benchmark date of assessment and the wage growth.

② Depreciation Expense

For the IDC cloud services business, every two cabinets form a cloud computing cluster, and one cluster requires 20 servers and 4 switches. The hardware investment is about RMB360,000, and the annual depreciation expense of each cluster is RMB72,000. Forecast of the annual depreciation expense will be carried out based on the annual capital expenditure of the cloud services business and the company's depreciation policy as of the benchmark date of assessment.

③ Power Cost

Assuming that two cabinets form a cloud computing cluster, the monthly power cost of each cabinet will be estimated with reference to the monthly power cost of each cabinet both in the First Phase and the Second Phase, that is, RMB2,121.00 (including tax) for each cabinet.

According to the abovementioned calculation method, the forecast of the main business cost is as follows:

Unit: RMB

Business Name	Year/Item	Forecast Years					
		July–December 2016	2017	2018	2019	2020	2021
First Phase of Shenzhen Guanlan Internet Data Center	Total cost	13,833,718.45	27,815,055.96	27,815,055.96	27,815,055.96	27,815,055.96	27,815,055.96
	Number of powered cabinets	678.00	728.00	728.00	728.00	728.00	728.00
Second Phase of Shenzhen Guanlan Internet Data Center	Total cost	4,414,910.00	20,067,649.99	22,391,214.12	22,391,214.12	22,391,214.12	22,391,214.12
	Number of powered cabinets	100	503	610	610	610	610
Operation and Maintenance Outsourcing Business	Total cost	1,512,000.00	6,081,120.00	10,388,332.80	14,948,505.36	20,043,060.89	23,649,191.12
	Number of projects	1.00	4.00	7.00	10.00	13.00	15.00
Cloud Services Business	Total cost	241,507.69	1,645,652.31	2,808,516.03	3,971,613.35	5,134,951.30	5,605,490.92
	Number of clusters	2.00	12.00	22.00	32.00	42.00	46.00
Total		20,002,136.14	55,609,478.26	63,403,118.91	69,126,388.79	75,384,282.27	79,460,952.12

(III) Other Operating Revenue and Expenditure

Other operating revenue and expenditure of the appraised entity during the historical years mainly represent the renovation revenue and cost incurred for Huawei, one customer of the Internet Data Center. As different customers have different requirements for the cabinet capacity, the cabinets leased by Huawei need renovation by Baoteng Internet based on the requirements of former before powered charging. The renovation cost was borne by Huawei.

Huawei has confirmed to rent 300 cabinets in the Second Phase of Guanlan Internet Data Center in July 2016. According to the purchase order of Huawei provided by Baoteng Internet, the revenue for Internet Data Center renovation in August 2016 was RMB2.01 million (including tax), and the same revenue is expected to make during the process of being powered. Therefore, the renovation cost of the Internet Data Center between July and December of 2016 will be estimated according to the contractual information provided by the company. The revenue from such renovation will be no longer considered in years subsequent to subsequent to 2017.

The renovation cost has been included in the construction cost of the Second Phase of Guanlan Internet Data Center, and depreciation expense will be calculated in the depreciation of the IDC business of the Second Phase of Guanlan Internet Data Center. Thus, the revenue has no cost.

According to the analysis above, forecast for other operating revenues is as follows:

Unit: RMB

Year/Item	July–December 2016	2017	2018	2019	2020	2021
Revenue of Huawei renovation costs	3,792,452.83	0.00	0.00	0.00	0.00	0.00

(IV) Non-operating Revenue and Expenditure and Asset Impairment Loss

1. Non-operating Revenue and Expenditure

The non-operating revenue of the appraised entity over the historical years mainly comprises income from government subsidy and income from disposal of fixed assets. Non-operating expenditure mainly comprises expense attributable to disposal of fixed assets and others. The abovementioned amounts are relatively insignificant and contingent. Thus, no forecast for such items is made for the forecast years.

2. Asset Impairment Loss

Asset impairment loss is mainly bad debt provision made provision in respect of accounts receivable. As the amount of bad debt provision written off by the Company in the historical years is insignificant, the credit profile of major customers is reliable and the account aging is short, no significant bad debts are expected in the future years. Thus, it was excluded from this assessment.

(V) Taxation and Surcharge for Core Businesses

The types of taxes and tax rates of business taxation and Surcharge of Baoteng Internet on the benchmark date of assessment are as follows:

Item	Basis of taxation	Applicable tax rate
Urban maintenance and construction tax	Turnover tax	7%
Education Surcharge	Turnover tax	5%

The current turnover taxes payable by Baoteng Internet are all value-added tax. Baoteng Internet is a general taxpayer, and value-added tax rates vary depending on different businesses. Tax rates by business types are as follows:

Business Name	Tax rate
Income from cabinet lease	17%
Bandwidth incomes relating to cabinets	6%
Income from mobile cabinet service	6%
Income from operation and maintenance outsourcing business	6%
Income from cloud services business	6%

Current tax payable = Output tax of current businesses — Current input tax deductible

Urban maintenance and construction tax and education surcharge are calculated based on the current turnover taxes payable and applicable tax rates as follows:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Tax and Surcharge for core businesses	378,512.81	1,165,658.13	1,382,390.42	1,502,302.97	1,622,957.31	1,771,028.90
Proportion of revenue	1.27%	1.19%	1.15%	1.12%	1.09%	1.12%

(VI) Operating Expenses

The operating expenses of Baoteng Internet for accounting purpose mainly comprise the advertising and marketing expense, office expense, entertainment expense and commission for salespeople of IDC business. The breakdown of major expenses of historical years is as follows:

Unit: RMB

		Historical years			
No.	**Item**	**2013**	**2014**	**2015**	**January–June 2016**
	Total fixed fees	100,166.76	191,074.05	98,376.70	32,436.49
1	Depreciation	100,166.76	191,074.05	98,376.70	32,436.49
	Total variable expenses	3,930.00	154,490.83	96,206.54	22,144.48
1	Entertainment expense		7,985.79	77,142.00	—
2	Advertising and marketing expenses	3,000.00	92,514.06	7,524.27	22,117.48
3	Office expense	930.00	47,268.52	2,456.41	0.00
4	Others		6,130.46	9,083.86	27.00
5	Travel expenses		592.00		
	Total	104,096.76	345,564.88	194,583.24	54,580.97
	Proportion of revenue		7.25%	0.77%	0.27%

The valuators shall calculate the expenses according to the actual situation of the expenses. For those operating expenses which are consistent with the revenue or cost of the core business, estimate of such expenses in the future shall be made by determining the percentages of such expenses in the operating revenue or cost and using the such percentages to multiply the revenue or cost of the forecasted core business with reference to the conditions of the historical years and the experience of similar enterprise in the same industry. For items that are not relevant to operating revenue of the core business, the forecast should be made on a case-by-case basis. The forecast of main expenses are as follows:

1. *Entertainment expense, commission for salespeople of IDC business*

Entertainment expenses, commission for salespeople of IDC business are closely related to the changes in revenue, and therefore they should be estimated according to the percentages of sales.

2. *Office expense, advertising and marketing expenses*

Office expense is not related with changes in the operating revenue of core businesses, and then it should be estimated according to the historical annual expenses on a case-by-case basis.

According to the analysis of the marketing expense in the historical years, the amount of marketing expenses incurred by the company is not significant. The marketing expense will be analyzed and estimated according to the forecast for the forecast years provided by the company.

3. *Depreciation expense*

The depreciation expense is fixed, mainly comprising depreciation of the electronic office equipments. For the forecast years, the depreciation of electronic office equipments will be analyzed and estimated according to the depreciation of fixed assets and the company's accounting policy on the benchmark date.

Based on the abovementioned calculation method, the forecast of Baoteng Internet's operating expenses are as follow:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Operating expenses	414,797.37	1,058,085.36	1,172,911.37	1,208,557.53	1,244,610.95	1,274,174.11
Proportion of revenue	1.42%	1.08%	0.98%	0.90%	0.84%	0.81%

(VII) Administrative expenses

Administrative expenses refer to the expenses incurred by the administrative department in the daily administration, including staff wages, office expenses, rental, service fees, depreciation and amortization expenses and other expenses. The historical annual administrative expenses are as follows:

Unit: RMB

		Historical years			
No.	**Item**	**2013**	**2014**	**2015**	**January–June 2016**
I	Fixed expenses	17,699.34	24,103.58	179,936.84	110,140.42
1	Depreciation	0.00	0.00	35,320.11	25,830.64
2	Amortization of intangible assets	17,699.34	24,103.58	144,616.73	84,309.78
II	Variable expenses	787,097.95	2,065,140.84	3,215,161.27	2,891,788.95
1	Wages	636,519.42	1,760,306.00	2,224,861.03	1,479,955.36
2	Social insurance premium	636,519.42	1,760,306.00	2,224,861.03	1,479,955.36
3	Group membership fees	51,459.00	0.00	30,000.00	19,417.48
4	Entertainment expense	21,361.40	7,521.37	115,689.82	229,165.10
5	Office expense	48,557.47	35,335.82	219,944.13	189,438.34
6	Rental	0.00	84,888.00	28,800.00	302,050.32
7	Service fee	0.00	33,057.53	403,925.04	447,025.02
8	Provident housing fund	4,696.95	19,492.15	26,583.90	20,192.40
9	Others	—	13,844.52	35,615.12	122,907.34
III	Total	804,797.29	2,089,244.42	3,395,098.11	3,001,929.37
IV	Proportion of revenue	74.88%	43.85%	13.45%	14.97%

The valuators shall calculate the expenses according to the actual situation of the expenses. For the administrative expenses, which are consistent with the operating revenue or cost of the core business, estimate of such expenses in the future shall be made by determining the percentages of such expenses in the operating revenue or cost and using the such % age to multiply the revenue or cost of the forecasted core business with reference to the conditions of the historical years and the experience of similar enterprise in the same industry. For items that are not relevant to revenue of the core business, the forecast should be made on a case-by-case basis. The forecast of main expenses are as follows:

1. Fixed expenses

Depreciation and amortization of administrative expenses are fixed expenses, which should be determined based on the book value of the fixed assets and intangible assets on the benchmark date and the depreciation (amortization) policies of the company.

2. *Variable expenses*

(1) Staff wages

Baoteng Internet has a large number of management personnel. This assessment is carried out in accordance with the company's future development planning and staffing, along with the number of management personnel for the forecast years and the company's salary standards.

(2) Entertainment expense, operation and maintenance outsourcing expense and cloud services business fee

The cost of such items is closely related to the revenue of the core business. The valuators use the percentages of sales method to forecast the future variable cost that is to multiply the percentages of the expense of the core business with the revenue of the core business in the forecast years. Operation and maintenance outsourcing expense and cloud services business fee refer to the travel expenses, business performance bonuses incurred in the course of relevant business.

(3) Service fee

Baoteng Internet and Shenzhen Unicom jointly operate Shenzhen Guanlan Internet Data Center. Baoteng Internet entrusts Guangzhou Aike Network Technology Co., Ltd. to provide professional advisory services with respect to the IDC business's product consulting and sales counseling project. The cost is the fee payable by Baoteng Internet. According to the contract entered into by both parties, the service fee is payable at 2% of the monthly settlement income of China Unicom. The cost is estimated based on the relevant contract.

(4) Office expense, group membership fees and other expenses

The above costs are not related to changes in the operating revenue of core businesses, and should be estimated on a case-by-case basis.

(5) Rental

The Rental refers to the rental fee payable to Powerleader Science and Technology by Baoteng Internet for leasing of the premises of Powerleader Science and Technology as its office and the industrial and commercial registration place. The rental in the forecast years will be estimated based on the monthly rental agreed in the lease contract.

According to the abovementioned calculation method, the forecast of the administrative expenses of Baoteng Internet are as follows:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Administrative expenses	3,017,093.58	7,939,900.14	9,012,641.85	10,024,109.70	10,929,757.72	11,571,351.62
Proportion of revenue	10.25%	8.08%	7.52%	7.46%	7.33%	7.33%

(VIII) Finance cost

The finance cost for the company's accounting includes the bank charges, deposit interest income and other expenses.

The bank charges in the forecast years will be estimated based on the amounts incurred in the historical years and their proportion of revenue. The amount of other expenses for the forecast years is relatively insignificant and contingent. Thus, forecast of such items are excluded.

The forecast of the finance cost of Baoteng Internet is as follows:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Finance cost	2,972.42	9,824.55	11,986.91	13,442.31	14,901.34	15,788.62

(IX) Income Tax

The data centre business was built and operated by Powerleader Science and Technology, Shenzhen Unicom and Shenzhen Mobile. Powerleader Science and Technology is a national high-tech company subject to an income tax rate of 15%. The data centre business will be assigned to Baoteng Internet in the forecast years, and the income tax rate of Baoteng Internet on the benchmark date will be 25%. In 2017, Baoteng Internet plans to apply for recognition of national high-tech company. According to the feasibility analysis on the application for national high-tech company provided by Baoteng Internet, the analysis of major indicators for such application is as follows:

1. In terms of intellectual property rights, Baoteng Internet has applied for seven software copyrights, which are the class II intellectual property rights for recognition as national hi-tech enterprise, and has satisfied the requirements for application as national high-tech enterprise.

2. In terms of the technologies of high-tech products, Baoteng's Internet products fall into the class of electronic information products under the scope of High-tech Fields Highly Supported by the State, and is qualified for such application.

3. In terms of the scientific and technical personnel, Baoteng Internet currently has 35 staff, among whom the R&D staff account for over 10%, which satisfies the identification standards of national high-tech enterprise.

4. In terms of R&D expenditure, the wages of R&D staff and rental in 2016 amounted to RMB2.6 million, and satisfies the proportion of R&D investment. In 2017, the wages of R&D staff and rental will amount to RMB4.2 million, which satisfies the proportion of R&D investment.

According to the above analysis, Baoteng Internet expects to be honored as a high-tech enterprise in 2017 and to enjoy the preferential income tax rate, so the forecast of income tax rate in the forecast years subsequent to 2017 is based on 15%.

The valuators estimated the income tax for the future years in accordance with the taxable income and the corresponding income tax rate in the forecast years. The forecast of the income tax for the forecast years is as follows:

Item	July–December 2016	2017	2018	2019	2020	2021
Taxable income	9,729,634.27	32,556,863.35	45,001,136.14	52,677,344.03	59,959,992.09	63,944,446.75
Income tax rate	25%	15%	15%	15%	15%	15%
Income tax charge	2,432,408.57	4,883,529.50	6,750,170.42	7,901,601.60	8,993,998.81	9,591,667.01

(X) Forecast of Depreciation and Amortization

1. Forecast of Depreciation

Depreciation estimated by Baoteng Internet represents the depreciation of existing fixed assets on the benchmark date and the depreciation of additional fixed assets after the benchmark date. Depreciation of the existing fixed assets as of the benchmark date is estimated based on the net book value of existing fixed assets as of the benchmark date and the current depreciation method of the company. The fixed assets added after the benchmark date are mainly fixed assets purchased for new clusters of the cloud services business each year. The depreciation of such fixed assets will be estimated according to the depreciation policy of the company on the benchmark date.

The amount of depreciation (amortization) in the stable development phase is consistent with the amount of capital expenditure, mainly because the production capacity is basically definite, and fewer new equipments are required, and the capital expenditure is mainly for the replacement of the existing equipments.

2. Amortization

Amortization is mainly made in respect of intangible assets. Intangible assets mainly refer to the intangible assets (mainly including various Internet Data Center management software and office software) existing as of the benchmark date. Forecast of the amortization of intangible assets in the forecast period will be made based on the book value of the intangible assets and the company's accounting policies.

In summary, the forecast of depreciation and amortization is as follows:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Depreciation	7,423,689.10	17,998,654.20	18,718,654.20	19,438,654.20	20,158,654.20	20,446,654.20
Amortization	78,433.94	154,517.04	154,517.04	144,516.01	24,003.21	0.00

(XI) Capital Expenditure Forecast

Baoteng Internet's fixed assets mainly comprise machinery and equipments, vehicles and electronic equipments, and its intangible assets comprise various Internet Data Center management software and office software. Capital expenditure forecast mainly relates to expenditure for updating fixed assets and the expenditure for purchasing new fixed assets for IDC cloud services business. Expenditure for updating fixed assets is estimated using annuity method, and the expenditure for purchasing new fixed assets for cloud services business will be estimated based on the expenditure on hardware for each cluster and the addition of new clusters each year.

The forecast of capital expenditure is as follows:

Unit: RMB

Item	July–December 2016	2017	2018	2019	2020	2021
Capital expenditure	6,322,233.00	9,202,233.00	9,202,233.00	9,202,233.00	9,202,233.00	5,602,233.00

(XII) Additional Amount of Working Capital in Forecast Period

1. Motive for additional amount of working capital

In general, with the expansion of the scope or scale of company's business activities, the normal business credit provided by the company to its customers will increase, so will the funds occupied for adding the stock provision to expand sales. Meanwhile, the cash balance to be maintained for meeting the daily payment in usual course of business will also increase, and so will the working capital. But the company also saves part of the working capital by obtaining normal business credit to reduce the need for immediate payment of funds credit from its suppliers.

2. Calculation Process and Result of Additional Amount of Working Capital

The addition of working capital shall take into account the influence of factors such as accounts receivable, inventory, cash required for normal operation, accounts payable and other factors.

The calculation formula of the forecasted additional working capital is:

Additional working capital of the year = working capital at the end of the year – the working capital at the end of the previous year

Working capital at the end of the year = current assets at the end of the year – current liabilities without interests at the end of the year

Ratio of working capital to revenue = working capital/operating revenue

This assessment is based on the total book value of the working capital recorded by the appraised entity minus surplus assets and non-operating assets (liabilities).

The working capital is the amount of funds required for the production and operation of the appraised entity. It is related to the size of the operating revenue of core businesses. When the size of revenue of the core business increases, the working capital needs to increase accordingly. The assessment is based on the revenue of the core business estimated for the future periods and with reference of the average proportion of working capital to the operating revenue of core businesses in historical years after excluding non-operating assets. As the First Phase of Guanlan Data Centre had commenced operation in September 2014, and remained at the early stage between 2014 and 2015 of operation, the proportion of working capital to the revenue changed significantly between 2014 and 30 June 2016. Given that the payment settlement period is one month pursuant to the cooperation contract entered into by and between Powerleader Science and Technology, Shenzhen Unicom and Shenzhen Mobile, which is quite consistent with the proportion of working capital to revenue between January and June 2016, the working capital of the forecast period will be estimated using such proportion and revenue of the forecast period. It is expected that no additional working capital will be made in the years when operation stabilises. The forecast is as follows:

Unit: RMB

Item	**July–December 2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Additional amount of working capital	1,486,045.24	5,293,561.58	2,594,834.06	1,746,478.55	1,750,841.95	1,064,726.72

(XIII) Free Cash Flow of Equity in Forecast Period

The calculation formula for free cash flow of equity is:

Free cash flow of equity = net profit after taxation + depreciation and amortization expenses – capital expenditure – additional amount of working capital + (new interest-bearing liabilities – repayment of principal of interest-bearing liabilities)

Unit: RMB0'000

	Forecast Years						
Item	**July–December 2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Stable years**
Operating revenue	3,351.66	9,824.55	11,986.91	13,442.31	14,901.34	15,788.62	15,788.62
Operating cost	2,000.21	5,560.95	6,340.31	6,912.64	7,538.43	7,946.10	7,946.10
Business taxation and Surcharge	37.85	116.57	138.24	150.23	162.30	177.10	177.10
Sales cost	41.48	105.81	117.29	120.86	124.46	127.42	127.42
Administrative expense	301.71	793.99	901.26	1,002.41	1,092.98	1,157.14	1,157.14
Finance cost	0.30	0.98	1.20	1.34	1.49	1.58	1.58
Asset impairment loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit	970.11	3,246.25	4,488.61	5,254.83	5,981.69	6,379.29	6,379.29
Non-operating net income and expenditure	0.00	0.00	0.00	0.00	0.00	0.00	—
Gross profit	**970.11**	**3,246.25**	**4,488.61**	**5,254.83**	**5,981.69**	**6,379.29**	**6,379.29**
Income tax	243.24	488.35	675.02	790.16	899.40	959.17	959.17
Net profit	**726.87**	**2,757.90**	**3,813.59**	**4,464.67**	**5,082.29**	**5,420.12**	**5,420.12**
Add: depreciation and amortization	750.21	1,815.32	1,887.32	1,958.32	2,018.27	2,044.67	2,044.67
Less: capital expenditure	632.22	920.22	920.22	920.22	920.22	560.22	560.22
Additional amount of working capital	148.60	529.36	259.48	174.65	175.08	106.47	0.00
Free cash flow of equity	696.26	3,123.64	4,521.21	5,328.12	6,005.26	6,798.10	6,904.57

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XYZH/2017SZA30411

REVIEW REPORT

Board of Directors of Powerleader Science & Technology Group Limited:

We have issued the report on the attached unaudited pro forma financial information in relation to the proposed disposal of Shenzhen IDC business and value-added cloud services of Powerleader Science & Technology Group Limited (hereinafter referred to as the "Company"), including unaudited pro forma balance sheet as at 31 December 2014, 31 December 2015 and 31 December 2016, unaudited pro forma income statement for 2014, 2015 and 2016 and relevant notes.

The unaudited pro forma financial information had been compiled by the board of directors to describe the impact of disposal of business on Baoteng Internet's financial position as of 31 December 2016, as if the Disposal had been completed on 1 January 2014.

I. BOARD OF DIRECTORS' RESPONSIBILITIES TO PRO FORMA FINANCIAL STATEMENTS

It is the responsibilities of the board of directors of the Company to prepare and give fair presentation of the unaudited pro forma financial information according to the Accounting Standards for Business Enterprises and Rule 7.31(1) of GEM Listing Rules.

II. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANTS

Our responsibility is to express opinions on unaudited pro forma financial information as required by Rule 7.31(1) of GEM Listing Rules and report to you. We do not accept any responsibility for any reports previously issued by us on any financial information used for preparing the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their use.

We conducted audit according to the Chinese Certified Public Accountant Auditing Standards. Chinese Certified Public Accountant Auditing Standards requires us to abide by Chinese Certified Public Accountants' Code of Ethics, to plan and conduct work so as to obtain reasonable assurance as to whether the board of directors have prepared the unaudited pro forma financial information according to the requirements of Rule 7.31(1) of GEM Listing Rules and Accounting Standards for Business Enterprises.

We are not responsible for updating or reissuing any report or opinions on any historical financial information used for preparing the unaudited pro forma financial information, nor have we, performed an audit or review on the financial information used for preparing unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the circular is solely to illustrate the impact of certain significant event or transaction on unadjusted financial statements of the Company, as if the event or transaction had already occurred on the specified date or earlier and is for the purpose of identification only. Therefore, we do not provide any assurance on whether the actual outcome of assets as at 31 December 2016 or profit as at 1 January 2014 of the event or transaction as presented.

The reasonable assurance report issued on whether the unaudited pro forma financial information has been properly prepared according to applicable standards involves the implementation procedures to evaluate whether the applicable standards used by the Directors to prepare the unaudited pro forma financial statements provide reasonable basis for presenting the significant impact attributable to the event or transaction, and sufficient and proper evidence must be obtained as regards the following matters:

(1) whether relevant pro forma adjustments are properly prepared according to those standards; and

(2) whether unaudited pro forma financial information have been presented proper adjustments made to unadjusted financial information.

The procedures selected depend on the judgment of reporting accountant having taken into account that the reporting accountant's understanding of the nature of the Company and the understanding of event or transaction in respect of the preparation of unaudited pro forma financial statements and other relevant engagement circumstances.

The engagement also includes evaluating the overall presentation method of unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and proper, which has provide basis for us to express opinion.

III. AUDIT OPINION

In our opinion:

(1) Unaudited pro forma financial information has been prepared according to the basis as stated;

(2) Such basis is consistent with the Company's accounting policy; and

(3) the relevant adjustments are appropriate for the purpose of the pro forma financial information as disclosed according to Rule 7.31(1) of GEM Listing Rules.

ShineWing Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

Beijing, the PRC
9 June 2017

A. PRO FORMA FINANCIAL STATEMENT

PRO FORMA CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2016	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2016
Current assets:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Monetary capital	1,080,119.11	37,372,107.80		38,452,226.91
Notes receivable	—	—		—
Accounts receivable	452,862.02	24,120,442.98		24,573,305.00
Prepayments	21,000.00	1,106,432.42		1,127,432.42
Other receivables	2,944,566.90	447,833.01		3,392,399.91
Inventory	—	—		—
Other current assets	—	—		—
Total current assets	4,498,548.03	63,046,816.21	—	67,545,364.24
Non-current assets:				
Available-for-sale financial assets	—	—		—
Long term equity investment	—	—		—
Investment properties	—	—		—
Fixed assets	1,204,869.59	112,540,599.23		113,745,468.82
Intangible assets	202,512.10	363,289.06		565,801.16
Development expenditure	—	—		—
Long-term prepayments	—	—		—
Deferred income tax assets	—	—		—
Total non-current assets	1,407,381.69	112,903,888.29	—	114,311,269.98
Total assets	5,905,929.72	175,950,704.50	—	181,856,634.22

PRO FORMA CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2016	Pro forma adjustments Simulation of the Company's divestment of the Subject Assets	Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2016
Current liabilities:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Short-term loans	—	—		—
Financial liabilities at fair value through profit or loss for the current period	—	—		—
Notes payable	—	—		—
Accounts payable	193,892.70	17,211,482.99		17,405,375.69
Receipts in advance	166,438.75	—		166,438.75
Employee remuneration payables	291,870.00	—		291,870.00
Tax and levy payables	318,928.20	4,459,540.15		4,778,468.35
Interest payables	—	—		—
Other payables	289,381.30	1,754,150.97		2,043,532.27
Non-current liabilities repayable within one year	—	—		—
Other current liabilities	—	—		—
Total current liabilities	1,260,510.95	23,425,174.11	—	24,685,685.06
Non-current liabilities:				
Long-term loans	—	—		—
Long-term payables	—	—		—
Deferred income	—	—		—
Total non-current liabilities	—	—	—	—
Total Liabilities	1,260,510.95	23,425,174.11	—	24,685,685.06
Owners' equity:				
Capital	10,000,000.00	—		10,000,000.00
Capital reserves	1,043,084.27	137,244,455.03		138,287,539.30
Surplus reserves	—	—		—
Undistributed profits	–6,397,665.50	15,281,075.37		8,883,409.87
Total equity attributable to shareholders of the Company	4,645,418.77	152,525,530.40	—	157,170,949.17
Total shareholders' equity	4,645,418.77	152,525,530.40	—	157,170,949.17
Total liabilities and shareholders' equity	5,905,929.72	175,950,704.50	—	181,856,634.22

PRO FORMA CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item		Audited income statement of Baoteng Internet for the year ended 31 December 2016	Pro forma adjustments Simulation of the Company's divestment of the Subject Assets	Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2016
		(1)	(2)	(3)	(4) = (1) + (2)–(3)
I.	**Total operating revenue**	1,727,974.11	54,526,744.41		56,254,718.52
	Including: operating revenue	1,727,974.11	54,526,744.41		56,254,718.52
II.	**Total operating cost**	5,258,063.92	33,007,600.58		38,265,664.50
	Including: Operating cost	2,002,977.81	26,922,567.91		28,925,545.72
	Business taxes and surcharges	1,738.39	—		1,738.39
	Sales expenses	713,456.68	5,729.13		719,185.81
	Administrative expenses	2,513,725.37	5,141,661.94		7,655,387.31
	Finance costs	2,754.83	—		2,754.83
	Impairment loss of assets	23,410.84	937,641.60		961,052.44
	Add: Gain on changes in fair value (loss is denoted as "–")	—	—		—
	Gain on investment (loss is denoted as "–")	—	—		—
	Including: Gain on investment to associates and joint ventures	—	—		—
III.	**Operating profit (loss is denoted as "–")**	–3,530,089.81	21,519,143.83		17,989,054.02
	Add: Non-operating income	180,000.21	—		180,000.21
	Less: Non-operating expenses	330,893.65	—		330,893.65
IV.	**Total Profit (total loss is denoted as "–")**	–3,680,983.25	21,519,143.83		17,838,160.58
	Less: Income tax expenses	—	4,459,540.15		4,459,540.15
V.	**Net profit (net loss is denoted as "–")**	–3,680,983.25	17,059,603.69		13,378,620.44
	Net profit attributable to shareholders of the Company	–3,680,983.25	17,059,603.69		13,378,620.44
	Profit or loss attributable to minority shareholders	—	—		—

PRO FORMA CONSOLIDATED INCOME STATEMENT (CONTINUED)

Unit: RMB

Item		Audited income statement of Baoteng Internet for the year ended 31 December 2016	Pro forma adjustments Simulation of the Company's divestment of the Subject Assets	Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2016
VI.	**Other comprehensive income net of tax**	(1)	(2)	(3)	(4) = (1) + (2)–(3)
	Other comprehensive income which will be reclassified to profit or loss				—
	Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method	—	—		—
VII.	**Total comprehensive income**	–3,680,983.25	17,059,603.69		13,378,620.44
	Total comprehensive income attributable to shareholders of the Company	–3,680,983.25	17,059,603.69		13,378,620.44
	Total comprehensive income attributable to minority shareholders	—	—		—

PRO FORMA CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2015	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2015
Current assets:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Monetary capital	158,344.39	—		158,344.39
Notes receivable	—	—		—
Accounts receivable	3,620.89	10,868,542.69		10,872,163.58
Prepayments	—	60,551.34		60,551.34
Other receivables	7,030,614.39	2,616,322.56	6,860,855.14	2,786,081.81
Inventory	—	—		—
Other current assets	3,676.46	—		3,676.46
Total current assets	7,196,256.13	13,545,416.59	6,860,855.14	13,880,817.58
Non-current assets:				
Available-for-sale financial assets	—	—		—
Long term equity investment	—	—		—
Investment properties	—	—		—
Fixed assets	344,861.47	66,208,761.05		66,553,622.52
Intangible assets	159,278.12	481,018.90		640,297.02
Development expenditure	—	—		—
Long-term prepayments	—	—		—
Deferred income tax assets	—	539,787.04		539,787.04
Total non-current assets	504,139.59	67,229,566.99	—	67,733,706.58
Total assets	7,700,395.72	80,774,983.58	6,860,855.14	81,614,524.16

PRO FORMA CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2015	Pro forma adjustments Simulation of the Company's divestment of the Subject Assets	Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2015
Current liabilities:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Short-term loans	—	—		—
Financial liabilities at fair value through profit or loss for the current period	—	—		—
Notes payable	—	—		—
Accounts payable	16,336.79	1,211,340.84		1,227,677.63
Receipts in advance	157,438.75	—		157,438.75
Employee remuneration payables	—	15,972.00		15,972.00
Tax and levy payables	430,842.66	—		430,842.66
Interest payables	—	—		—
Other payables	16,700.00	11,368,524.75	6,860,855.14	4,524,369.61
Non-current liabilities repayable within one year	—	—		—
Other current liabilities	—	—		—
Total current liabilities	621,318.20	12,595,837.59	6,860,855.14	6,356,300.65
Non-current liabilities:				
Long-term loans	—	—		—
Long-term payables	—	—		—
Deferred income	—	—		—
Total non-current liabilities	—	—	—	—
Total Liabilities	621,318.20	12,595,837.59	6,860,855.14	6,356,300.65
Owners' equity:				
Capital	10,000,000.00	—		10,000,000.00
Capital reserves	—	69,753,434.08		69,753,434.08
Surplus reserves	—	—		—
Undistributed profits	–2,920,922.48	–1,574,288.09		–4,495,210.57
Total equity attributable to shareholders of the Company	7,079,077.52	68,179,145.99	—	75,258,223.51
Total shareholders' equity	7,079,077.52	68,179,145.99	—	75,258,223.51
Total liabilities and shareholders' equity	7,700,395.72	80,774,983.58	6,860,855.14	81,614,524.16

PRO FORMA CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item		Audited income statement of Baoteng Internet for the year ended 31 December 2015	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2015
		(1)	(2)	(3)	(4) = (1) + (2)–(3)
I.	**Total operating revenue**	278,184.81	27,329,671.04		27,607,855.85
	Including: operating revenue	278,184.81	27,329,671.04		27,607,855.85
II.	**Total operating cost**	362,327.63	25,931,137.97		26,293,465.60
	Including: Operating cost	118,475.88	22,134,345.67		22,252,821.55
	Business taxes and surcharges	—	—		—
	Sales expenses	104,930.10	89,653.14		194,583.24
	Administrative expenses	137,767.36	3,257,330.75		3,395,098.11
	Finance costs	1,154.29	—		1,154.29
	Impairment loss of assets	—	449,808.41		449,808.41
	Add: Gain on changes in fair value (loss is denoted as "–")	—	—		—
	Gain on investment (loss is denoted as "–")	—	—		—
	Including: Gain on investment to associates and joint ventures	—	—		—
III.	**Operating profit (loss is denoted as "–")**	–84,142.82	1,398,533.07		1,314,390.25
	Add: Non-operating income	230.01	—		230.01
	Less: Non-operating expenses	268,705.52	—		268,705.52
IV.	**Total Profit (total loss is denoted as "–")**	–352,618.33	1,398,533.07		1,045,914.74
	Less: Income tax expenses	—	368,920.05		368,920.05
V.	**Net profit (net loss is denoted as "–")**	–352,618.33	1,029,613.02		676,994.69
	Net profit attributable to shareholders of the Company	–352,618.33	1,029,613.02		676,994.69
	Profit or loss attributable to minority shareholders	—	—		—

PRO FORMA CONSOLIDATED INCOME STATEMENT (CONTINUED)

Unit: RMB

Item		Audited income statement of Baoteng Internet for the year ended 31 December 2015	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2015
VI.	**Other comprehensive income net of tax**	(1)	(2)	(3)	(4) = (1) + (2)–(3)
	Other comprehensive income which will be reclassified to profit or loss				—
	Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method				—
VII.	**Total comprehensive income**	–352,618.33	1,029,613.02		676,994.69
	Total comprehensive income attributable to shareholders of the Company	–352,618.33	1,029,613.02		676,994.69
	Total comprehensive income attributable to minority shareholders	—	—		—

PRO FORMA CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2014	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2014
Current assets:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Monetary capital	372,981.50	—		372,981.50
Notes receivable	—	—		—
Accounts receivable	232,553.04	2,322,182.76		2,554,735.80
Prepayments	—	185,000.00		185,000.00
Other receivables	7,000,713.39	2,330,897.44	6,890,855.14	2,440,755.69
Inventory	—	—		—
Other current assets	—	—		—
Total current assets	7,606,247.93	4,838,080.20	6,890,855.14	5,553,472.99
Non-current assets:				
Available-for-sale financial assets	—	—		—
Long term equity investment	—	—		—
Investment properties	—	—		—
Fixed assets	350,588.58	73,060,510.44		73,411,099.02
Intangible assets	73,415.72	40,557.85		113,973.57
Development expenditure	—	—		—
Long-term prepayments	—	—		—
Deferred income tax assets	—	908,707.09		908,707.09
Total non-current assets	424,004.30	74,009,775.38	—	74,433,779.68
Total assets	8,030,252.23	78,847,855.58	6,890,855.14	79,987,252.67

PRO FORMA CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

Item	Audited balance sheet of Baoteng Internet as at 31 December 2014	Pro forma adjustments Simulation of the Company's divestment of the Subject Assets	Internal Offset	Unaudited pro forma balance sheet of the Target Assets as at 31 December 2014
Current liabilities:	(1)	(2)	(3)	(4) = (1) + (2)–(3)
Short-term loans	—	—		—
Financial liabilities at fair value through profit or loss for the current period	—	—		—
Notes payable	—	—		—
Accounts payable	—	1,538,286.30		1,538,286.30
Receipts in advance	118,438.59	—		118,438.59
Employee remuneration payables	—	—		—
Tax and levy payables	463,417.79	—		463,417.79
Interest payables	—	—		—
Other payables	16,700.00	9,169,372.22	6,890,855.14	2,295,217.08
Non-current liabilities repayable within one year	—	—		—
Other current liabilities	—	—		—
Total current liabilities	598,556.38	10,707,658.52	6,890,855.14	4,415,359.76
Non-current liabilities:				
Long-term loans	—	—		—
Long-term payables	—	—		—
Deferred income	—	—		—
Total non-current liabilities	—	—	—	—
Total Liabilities	598,556.38	10,707,658.52	6,890,855.14	4,415,359.76
Owners' equity:				
Capital	10,000,000.00	—		10,000,000.00
Capital reserves	—	70,744,098.17		70,744,098.17
Surplus reserves	—	—		—
Undistributed profits	–2,568,304.15	–2,603,901.11		–5,172,205.26
Total equity attributable to shareholders of the Company	7,431,695.85	68,140,197.06	—	75,571,892.91
Total shareholders' equity	7,431,695.85	68,140,197.06	—	75,571,892.91
Total liabilities and shareholders' equity	8,030,252.23	78,847,855.58	6,890,855.14	79,987,252.67

PRO FORMA CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	Audited income statement of Baoteng Internet for the year ended 31 December 2014	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2014
	(1)	(2)	(3)	(4) = (1) + (2)–(3)
I. Total operating revenue	1,199,689.49	3,564,339.01		4,764,028.50
Including: operating revenue	1,199,689.49	3,564,339.01		4,764,028.50
II. Total operating cost	951,379.91	7,076,947.21		8,028,327.12
Including: Operating cost	321,689.29	5,137,380.12		5,459,069.41
Business taxes and surcharges	698.93	—		698.93
Sales expenses	243,255.11	102,309.77		345,564.88
Administrative expenses	374,207.25	1,715,037.17		2,089,244.42
Finance costs	11,390.55	—		11,390.55
Impairment loss of assets	138.78	122,220.15		122,358.93
Add: Gain on changes in fair value (loss is denoted as "–")	—	—		—
Gain on investment (loss is denoted as "–")	—	—		—
Including: Gain on investment to associates and joint ventures	—	—		
	—			
III. Operating profit (loss is denoted as "–")	248,309.58	–3,512,608.20		–3,264,298.62
Add: Non-operating income	211,652.15	—		211,652.15
Less: Non-operating expenses	183,675.25	—		183,675.25
IV. Total Profit (total loss is denoted as "–")	276,286.48	–3,512,608.20		–3,236,321.72
Less: Income tax expenses	—	–908,707.09		–908,707.09
V. Net profit (net loss is denoted as "–")	276,286.48	–2,603,901.11		–2,327,614.63
Net profit attributable to shareholders of the Company	276,286.48	–2,603,901.11		–2,327,614.63
Profit or loss attributable to minority shareholders	—	—		—

PRO FORMA CONSOLIDATED INCOME STATEMENT (CONTINUED)

Unit: RMB

Item		Audited income statement of Baoteng Internet for the year ended 31 December 2014	Pro forma adjustments: Simulation of the Company's divestment of the Subject Assets	Pro forma adjustments: Internal Offset	Unaudited pro forma income statement of the Target Assets for the year ended 31 December 2014
VI.	**Other comprehensive income net of tax**	(1)	(2)	(3)	(4) = (1) + (2)–(3)
	Other comprehensive income which will be reclassified to profit or loss				—
	Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method				—
VII.	**Total comprehensive income**	276,286.48	–2,603,901.11		–2,327,614.63
	Total comprehensive income attributable to shareholders of the Company	276,286.48	–2,603,901.11		–2,327,614.63
	Total comprehensive income attributable to minority shareholders	—	—		—

B. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET ASSETS

1. Information on Major and Connected Transaction

On 1 September 2016, Powerleader Science & Technology Group Limited (the "**Company**") entered into the Agreement on the Purchase of Assets through Cash Payment, the Profit Guarantee Compensation Agreement and the Commitment on Solution of Horizontal Competition regarding the Sale of the 100% Equity Interests in Shenzhen Baoteng Internet Technology Limited* (深圳市宝騰互聯科技有限公司) held by the Company.

Pursuant to the Agreement on Purchase of Assets through Cash Payment, Shenzhen ZQGAME Co. Ltd.* (深圳中青宝互動網絡股份有限公司) (the "**Zqgame**") shall pay RMB500 million for the acquisition of 100% equity interests in Shenzhen Baoteng Internet Technology Limited* (深圳市宝騰互聯科技有限公司) (the "**Baoteng Internet**") after businesses integration held by the Company. The Target Business is Shenzhen IDC business and the value-added cloud services business.

Pursuant to the Profit Guarantee Compensation Agreement, the Company has undertaken that the net profit attributable to the shareholders of the Company after deducting of extraordinary gains and losses shall not be less than RMB110,361,605.80 in aggregate for the year of 2017, 2018 and 2019. If the actual amount of net profit of Baoteng Internet fails to reach the forecasted amount as committed by the Company after the end of the profit guarantee compensation period, as audited and verified by a certified public accountant, the Company will pay Zqgame compensation in cash. The amount of cash to be compensated shall be calculated as set out below:

The amount of cash to be compensated after the end of the profit guarantee compensation period = (the forecasted net profit for the profit guarantee compensation period – the actual cumulative net profit as at the end of the profit guarantee compensation period) ÷ the forecasted net profit for the profit guarantee compensation period × transaction price.

Upon expiry of the profit guarantee compensation period, an accountancy firm with securities business qualification as recognized by the Company and Zqgame, will perform an asset impairment test on the Target Assets for the profit guarantee compensation period and issue its audit opinion. All the expenses incurred by engagement of an audit firm shall be equally shared by both parties. If the impairment of the Target Assets at the end of the profit guarantee compensation period is larger than the total compensation paid by the Company to Zqgame as mentioned above, the Company also agreed to pay the asset impairment compensation to Zqgame in addition to the aforementioned compensation.

The compensation is calculated by: the cash compensation for impairment of target assets = the amount of impairment of Target Assets at the end of profit guarantee compensation period – the cash compensation required to be paid at the final end of profit guarantee compensation period.

On 1 March 2017, Supplemental Agreement to Profit Guarantee Compensation Agreement was entered between Zqgame, Li Ruijie and Zhang Yunxia which agreed that the maximum amount of the Profit Guarantee Compensation and Assets Impairment Compensation to be paid by the Company will not be more than RMB110,361,605.80, and that the excess over the cap of the Profit Guarantee Compensation and Assets Impairment Compensation would be borne by Li Ruijie and Zhang Yunxia.

2. Basis of Preparation to the Pro Forma Financial Statements

The unaudited pro forma financial information of Powerleader Science & Technology Group Limited and its subsidiaries (the "**Group**") was prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules for illustration of the effects of Disposal on the Group. The pro forma financial information was prepared after the stripping as set out below based on the relevant provisions under the agreement on proposed disposal of 100% equity interests in Baoteng Internet by the Company as well as the simulated accounting statements and relevant account books of Baoteng Internet for each reporting period, assuming that the operating assets and liabilities of Shenzhen IDC business and the value-added cloud services business in relation to the disposal of equity interests existed independently on a going concern basis as at 1 January 2014. The specific instructions of the divestiture of the financial statements are as follows:

(1) The balance sheet of the business and assets in relation to the basic services and value-added cloud services of Shenzhen Internet Data Center to be injected into Baoteng Internet by the Company as at 31 December 2014, 31 December 2015 and 31 December 2016 is based on the original balance sheet of the Company according to the principle of "assets and liabilities follow businesses", namely to classify current accounts and financial instruments based on the nature of businesses, to classify fixed assets based on business department, to classify payroll payable of employees based on related personnel, and to remove the assets and liabilities irrelevant to Shenzhen IDC business and value-added cloud services business.

(2) The profit statement of the business and assets in relation to the Shenzhen IDC and value-added cloud services to be injected into Baoteng Internet by the Company for 2014, 2015 and 2016 is based on the original profit statement of the Company, to remove the revenues, costs and expenditures irrelevant to Shenzhen IDC business and value-added cloud services business and relevant revenues, costs and expenditures will be classified as profit and loss of the Target Assets.

(3) All the assets and liabilities in relation to the Shenzhen IDC Business and Value-added Cloud Services Business will be taken as the assets for proposed purchase of shares and will not be removed. The revenues, costs and expenditures in relation to the Shenzhen IDC Business and Value-added Cloud Services business of Baoteng Internet will be taken as Target Business and will not be removed.

The pro forma financial information includes the total audited pro forma assets as at 31 December 2016, 31 December 2015 and 31 December 2014 and the total profit before tax, total profit after tax and total revenues for 2016, 2015 and 2014. For the total audited pro forma assets, the assumed transaction completion date is 31 December 2016; for the total audited pro forma profit and revenue, the assumed transaction completion date is 1 January 2014.

The pro forma financial information is prepared based on (i) the audited statement of financial position of the Group as at 31 December 2015 extracted from the annual report of the Group for the year ended 31 December 2015 dated 29 March 2016 and (ii) the audited statement of financial position of Baoteng Internet for conducting the Shenzhen IDC business and value-added cloud services business for the years 2014 and 2015 and the 6 months ended 30 June 2016; (iii) the audited statement of financial position of the Group as at 31 December 2016 extracted from the annual report of the Group for the year ended 31 December 2016 dated 29 March 2017.

The pro forma financial information is prepared based on certain assumptions, estimates, uncertainties and other currently available information, and is provided for illustrative purposes only and it does not purport to describe the actual operation performance, financial position or cash flow of the Disposal, acquisition and redemption that would have been attained had such events been completed at the time of preparation or any date in the future. The unaudited pro forma financial information of the Disposal should be read in conjunction with the published annual report of the Group for the year ended 31 December 2015 and the published annual report of the Group for the year ended 31 December 2016.

3. Pro Forma Financial Information

The pro forma financial information is the unaudited pro forma financial statement regarding the business to be disposed prepared based on the audited financial statements of the Group after making appropriate pro forma adjustments. The following is the illustration for note (1) to (4) of the pro forma financial information:

(1) represents the audited balance sheet as at 31 December 2016, 31 December 2015 and 31 December 2014 and the profit statement for 2016, 2015 and 2014 of Baoteng Internet.

(2) represents the assets, profit and loss of Shenzhen IDC business and Value-added Cloud Services business to be removed and transferred to Baoteng Internet by the Group in the transaction.

(3) represents the offset of Shenzhen IDC Business and value-added cloud services business to be removed and transferred to Baoteng Internet by Baoteng Internet and the Company.

(4) represents the pro forma assets, profit and loss of Shenzhen IDC business and value-added cloud services business to be disposed upon completion of simulation.

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

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 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 maintained by the Company referred to therein, or (c) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors,to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Shares

Name of Directors	Types of interests	Class of Shares	Number of Domestic Shares held by a controlled corporation	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li Ruijie *(Note 1)*	Interest of controlled corporation	Domestic Shares	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia *(Note 1)*	Interest of controlled corporation	Domestic Shares	102,184,500	42.05%	56.07%
Mr. Sun Wei *(Note 2)*	Interest of controlled corporation	Domestic Shares	15,963,750	6.57%	8.76%
Mr. Ma Zhumao *(Note 3)*	Interest of controlled corporation	Domestic Shares	7,250,000	2.98%	3.98%

Note 1: Mr. Li Ruijie is the husband of Ms. Zhang Yunxia. They hold 102,184,500 Domestic Shares in aggregate through Powerleader Investment, which is beneficially held by Mr. Li Ruijie and Ms. Zhang Yunxia as to 87.5% and 12.5% respectively.

Note 2: Mr. Sun Wei is interested in 15,963,750 Domestic Shares through Harbin Century Longxiang Science & Technology Development Limited, since he held 71% of the issued share capital of Harbin Century Longxiang Science & Technology Development Limited as at the Latest Practicable Date and is deemed to be interested in the Domestic Shares held by Harbin Century Longxiang Science & Technology Development Limited.

Note 3: Mr. Ma Zhumao is interested in 7,250,000 Domestic Shares through Shenzhen Jinbolitong Investment Partnership (limited partnership)* (深圳市金博利通投資合夥企業(有限合夥)), since he held 60% of the limited partnership of Shenzhen Jinbolitong Investment Partnership (limited partnership) as at the Latest Practicable Date and is deemed to be interested in the Domestic Shares held by Shenzhen Jinbolitong Investment Partnership (limited partnership).

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 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 maintained by the Company referred to therein, or (c) were otherwise required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which 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 Divisions 2 and 3 of Part XV of SFO:

Name of Director	Name of company	Position
Zhang Yunxia	Powerleader Investment	Director
Li Ruijie	Powerleader Investment	Director
Sun Wei	Harbin Century Longxiang Science & Technology Development Limited* (哈爾濱世紀龍翔科技開發有限公司)	Executive director and general manager
Ma Zhumao	Shenzhen Jinbolitong Investment Partnership (limited partnership)* (深圳市金博利通投資合夥企業(有限合夥))	Managing partner

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

On 15 June 2016, two Shareholders, Shenzhen Liuheng Technology Co. Ltd.* (深圳市綠恒科技有限公司) ("**Shenzhen Liuheng**") and Harbin Century Longxiang Science & Technology Development Limited filed two separate actions in the Shenzhen Futian People's Court (the "**Court**") against the Company and Powerleader Computing, alleging that, amongst other things, the Company withheld information from its investors, in particular, a full set of the Company's financial and accounting report including explanations on its financial conditions; and that the Company failed to address queries raised by Shenzhen Liuheng regarding the management of the Company.

As of the Latest Practicable Date, the abovementioned lawsuits were at the stage of adducing evidence by the parties involved. However, the Board believes that these claims are without merit and have been advised by the Group's legal advisers that the Group holds strong position in these claims and therefore no provision for the claims is considered necessary.

As at the Latest Practicable Date, the Company was unable to predict whether the abovementioned lawsuits will have any material adverse impact on the Company's business or its financial situation. As at the Latest Practicable Date, the lawsuits have not led to material adverse impact on the Company's operating activities or its financial situation. **The Board advises investors to be aware of the investment risks involved.**

As at the Latest Practicable Date, save as disclosed above, to the best of the Directors' knowledge, information and belief, the Group was not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING INTERESTS

Speedtop is owned by Powerleader Investment and Madam Zhang Yunxia as to 50% each, while Powerleader Investment is directly and indirectly held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively. Speedtop holds the business qualifications licence to carry on IDC Business. Some of the Company's existing clients of the Shenzhen IDC Business and the Guangzhou IDC Business need to enter into contracts with a company that holds the business qualifications licence to carry on IDC Business. Hence, the business of Speedtop may compete with the Shenzhen IDC Business and Guangzhou IDC Business. Save for Speedtop, in so far as the Directors were aware, as at the Latest Practicable Date none of the Directors or the controlling Shareholders or their respective close associates (as defined in GEM Listing Rules) had any interests in any business which competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was, directly or indirectly, materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Company since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up.

9. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
ShineWing Certified Public Accountants (Special General Partnership)	Certified Public Accountants
Vocation (Beijing) International Assets Appraisal Co., Ltd.	Member of the China Appraisal Society, PRC qualified asset appraisal institution
Vinco Capital	a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of ShineWing Certified Public Accountants (Special General Partnership), Vocation (Beijing) International Assets Appraisal Co., Ltd. and Vinco Capital above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of ShineWing Certified Public Accountants (Special General Partnership), Vocation (Beijing) International Assets Appraisal Co., Ltd. and Vinco Capital 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.

As at the Latest Practicable Date, each of ShineWing Certified Public Accountants (Special General Partnership), Vocation (Beijing) International Assets Appraisal Co., Ltd. and Vinco Capital did not have any direct or indirect interests in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the date of this circular, which are or may be material:

(a) the Agreement as described in the section headed "the Agreement" in the Letter from the Board in this circular;

(b) the Profit Guarantee Compensation Agreement as described in the section headed "Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement)" in the Letter from the Board in this circular;

(c) the Supplemental Agreement to the Profit Guarantee Compensation Agreement as described in the section headed "Profit Guarantee Compensation Agreement (as amended by the Supplemental Agreement to the Profit Guarantee Compensation Agreement)" in the Letter from the Board in this circular;

(d) the Asset Transfer Agreements as described in the section headed "Transfer of Subject Assets and Retained Assets before Completion by way of internal restructuring" in the Letter from the Board in this circular;

(e) the Non-Competition Undertakings as described in the section headed "Non-Competition Undertakings" in the Letter from the Board in this circular;

(f) the equity interest transfer agreement dated 31 August 2016 entered into by the Company and Linzhi Tengxun Investment Management Co. Ltd.* (林芝騰訊投資管理有限公司) in relation to the sale of 10% of equity interest (corresponding registered capital of RMB1.16 million) in Beijing Haiyun Jiexun Technology Limited* (北京海雲捷迅科技有限公司) ("**Beijing Haiyun Jiexun**") from the Company to Linzhi Tengxun Investment Management Co. Ltd. at the consideration of RMB25.00 million. Pursuant to the sale of the equity interest, the Company's shareholding in Beijing Haiyun Jiexun decreased from 21.55% to 11.55%;

(g) the partnership agreement dated 30 June 2016 entered into by the Company, Shenzhen Niu Xin Business Investment Management Co., Ltd.* (深圳紐信創業投資管理有限公司), Shenzhen Qianhai Xin Cheng Yuan Feng Investment Management Co., Ltd* (深圳前海信誠源豐投資管理有限公司), Zqgame, Powerleader Investment and Shenzhen Heyau Funds Co. Ltd.* (深圳市合友基金有限公司) in relation to the investment of RMB5.0 million in Shenzhen Niu Xin Heng Zhi Investment Centre (Limited Partnership)* (深圳紐信恒志投資中心（有限合夥）);

(h) the conditional agreement dated 4 January 2016 entered by the Company and Taiji Computer whereby Taiji Computer agreed to acquire the entire equity interest of Powerleader Computing from the Company and PC Research Institute at the consideration of RMB1,666,000,000, of which RMB249,900,000 will be settled in cash; and the balance to be settled through the issuance of 39,314,270 shares of Taiji Computer to the Company and PC Research Institute. Please refer to the Company's circular dated 11 May 2016 for details;

(i) the profit guarantee compensation agreement dated 4 January 2016 entered by the Company, PC Research Institute and Taiji Computer, whereby the Company and PC Research Institute confirmed and undertook that Powerleader Computing would achieve certain net profit amounts during the compensation period. Please refer to the Company's circular dated 11 May 2016 for details;

(j) the asset acquisition agreement dated 4 January 2016 entered by the Company and Powerleader Computing in relation to the transfer of certain assets from the Company to Powerleader Computing. Please refer to the Company's circular dated 11 May 2016 for details;

(k) the non-competition undertaking dated 22 December 2015 given by the Company, PC Research Institute, Ms. Zhang Yunxia and Mr. Li Ruijie to Taiji Computer, pursuant to which each of the Company, PC Research Institute, Ms. Zhang Yunxia and Mr. Li Ruiji undertook, among other things, that during the time when it/he/she holds shares of Taiji Computer, it/he/she shall not carry on, participate in or assist others to carry on any business or other operational activities that is the same as or similar to or in direct or indirect competition with the businesses of Taiji Computer, Powerleader Computing or their subsidiaries carried on at such time. Please refer to the Company's circular dated 11 May 2016 for details; and

(l) the capital increase agreement dated 11 August 2015 in relation to capital injection agreement entered into by Intel Semiconductor (Dalian) Ltd., the Company and Beijing Haiyun Jiexun, pursuant to which, Intel Semiconductor (Dalian) Ltd. injected RMB24,830,000 to Beijing Haiyun Jiexun. After the capital injection, the Company's shareholding in Beijing Haiyun Jiexun decreased from 25% to 21.55%.

11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The audit committee of the Board is chaired by Mr. Chan Shiu Yuen Sammy. The background, directorship and past directorship (if any) of each of the members of the audit committee of the Board are set out below.

Mr. Chan Shiu Yuen Sammy, aged 52, an independent non-executive Director, has more than 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan was the qualified accountant, company secretary and authorized representative of the Company, the deputy general manager of China Fibretech Limited. He is currently a director of Brilliant Consultancy Limited and the chief financial officer of Newtree Group Holdings Limited. Mr. Chan has been appointed for the current term of office as an independent non-executive Director on 30 June 2016.

Dr. Guo Wanda, aged 51, an independent non-executive Director, graduated with a doctoral degree in economics from Nankai University in 1991. He was a former researcher of the Economics Research Institute, Nankai University. He also served as the director of the macro-economic center of the economic forecasting department of The Information Centre of Shenzhen Municipality. He previously served in Shenzhen Guangshun Co. Ltd.* (深圳廣順股份有限公司) as the head of the investment department, the secretary of the board of directors and an assistant general manager. He served for Guangshun Investment Hubei Shashi Company Limited* (廣順投資湖北沙市公司) as the chairman and general manager. He is currently acting as an independent director of MYS Group Co. Ltd.* (美盈森集團股份有限公司) (Shenzhen stock exchange, stock code: 002303), and HIT Shouchuang Technology Co. Ltd.* (哈工大首創科技股份有限公司) (Shanghai stock exchange, stock code: 600857). He is the vice president of China Development Institute of Shenzhen, the chairman of Shenzhen Association of Management Consultants, and also a committee member of the advisory committee of Shenzhen municipal government. He has been appointed for the current term of office as an independent non-executive Director on 30 June 2016.

Mr. Jiang Baijun, aged 55, graduated from the China Central Radio and TV University and majored in Chinese Literature. He was previously a secondary school teacher in Xian. He was engaged by Computerworld, a newspaper, as a special commentator on market development, and hosted a CEO interview program. He was the China market strategic consultant of AST, the market strategic consultant of Create Group, the market strategic consultant of the office automation department of Digital China (Toshiba China business), the market strategic consultant and strategic development consultant of HP China, and also the market strategic consultant of the product market in Compaq in China. Mr. Jiang was engaged as the market strategic consultant of the Hong Kong China Business of NEC (Notebook computer and monitor business), and was appointed the market strategic consultant of the monitor business of PHILIPS China, as well as the market strategic consultant of the peripheral product business of Legend Computer. Mr. Jiang was also the chief consultant in strategic development of Shenzhen Qinzhong Electronics, and the market strategic consultant of Huayu Bancoo. Mr. Jiang has been the market strategic consultant of the PC business of IBM China (notebook computer business), as well as the market strategic consultant of the Panasonic business and FUJITSU business of the China Daheng Group. Mr. Jianghas been appointed for the current term of office as an independent non-executive Director on 30 June 2016.

The primary duties of the audit committee are to review the Company's annual reports and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee discussed and reviewed with the auditor and the management the financial statements of the Company before submission to the Board for approval.

12. MISCELLANEOUS

(a) The registered office of the Company is at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC. The head office of the Company is at Powerleader Technology Park, 3 Guanyi Road, Guanlan High-Tech Park, Longhua New District, Shenzhen, the PRC.

(b) The company secretary of the Company is Mr. Dong Weiping. He graduated from Jilin University in the PRC with a bachelor's degree in computer systems engineering.

(c) The compliance officer of the Company is Mr. Li Ruijie. He graduated from the Nankai University with a double bachelor's degree in economics and electronics in 1989, and obtained an EMBA degree from Cheung Kong Graduate School of Business in 2012.

(d) The Company's Hong Kong H share transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 105, 1/F, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this circular up to and including 26 June 2017, being date of the EGM:

(a) the Articles of Association;

(b) a copy of each of the material contracts referred to in the section headed "Material contracts" in this Appendix;

(c) the letter of consent from each of ShineWing Certified Public Accountants (Special General Partnership), Vocation (Beijing) International Assets Appraisal Co., Ltd. and Vinco Capital referred to in the section headed "Experts' Qualification And Consent" in this Appendix;

(d) the letter from ShineWing Certified Public Accountants (Special General Partnership) relating to the profit forecast, the text of which is set out in Appendix II to this circular;

(e) the valuation report on Baoteng Internet, the text of which is set out in Appendix III to this circular;

(f) the verification report from the Valuer, the text of which is set out in Appendix IV to this circular;

(g) the detailed cash flow forecast in relation to the valuation report of Baoteng Internet, the text of which is set out in Appendix V to this circular;

(h) the review report of ShineWing Certified Public Accountants (Special General Partnership) on the unaudited pro forma financial information on the Target Assets, the text of which is set out in Appendix VI to this circular;

(i) the interim reports of the Company for the six months ended 30 June 2015 and 2016, annual reports of the Company for the years ended 31 December 2014, 2015 and 2016; and

(j) this circular.