
SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before making any decision to invest in the [REDACTED].

Various expressions used in this summary are defined in the section headed "Definitions" in this document.

OVERVIEW

The Group is a well-established ICT solution provider headquartered in Singapore focusing on the provision of cyber infrastructure and cyber security solutions. Established in 2002, the Group started as a system integration service provider providing services to telecommunications service providers. Having gradually diversified its ICT services, the Group is now a regional provider of cyber infrastructure solutions in Southeast Asia. By working with various technology vendors, the Group acquired the experience and expertise to evolve to an ICT solution provider. Drawing upon its R&D capability, the Group successfully developed its technologies to provide cyber security solutions. Details of the Group's businesses are set out as follows:

Cyber infrastructure solutions

The Group's cyber infrastructure solutions business focuses on the emerging markets in Southeast Asia. Such solutions include mainly (i) system integration; (ii) threat management; and (iii) cloud infrastructure. The Group typically manages all the phases of its cyber infrastructure solutions projects, while the hardware and software used in implementation of such projects are generally sourced from third party suppliers.

Cyber security solutions

The Group provides cyber security solutions specialising in internet content management. Internet content management is a set of processes and technology that supports the collection and management of information transmitted over the internet. The Group has developed the IRGO core engine and RTPR technology for decoding and processing the data packets collected from the internet and thereafter, reconstructing such data packets to the original state of the information in real time. The Group integrates these technologies together with different hardware sourced from third party suppliers to formulate cyber security solutions. The Group's cyber security solutions serve as a tool to analyse and monitor information obtained from the internet in real time. This assists users in formulating measures and controls for management of internet content to address cyber challenges and threats.

COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths have contributed to its success:

- Synergy from the IRGO core engine, a platform for developing a wider range of new products, and RTPR technology, a technology for cyber security;
- Strong R&D capabilities;

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- Well established regional footprint in Southeast Asia and established customer base; and
- Experienced and dedicated senior management staff and R&D and sales and marketing staff.

BUSINESS STRATEGIES

The Group has goals to achieve sustainable growth in current business and further strengthen its overall competitiveness in its industry. To achieve its goals, the Directors plan to leverage on the Group's competitive strengths and implement the following strategies:

- Expanding the Group's headquarters, establishing a R&D centre in Singapore and upgrading the Group's R&D facilities;
- Expanding product lines by developing new products, upgrading the Group's existing products and strengthening the Group's R&D team;
- Expanding the Group's sales and marketing team and establishing regional offices;
- Developing Netsis Hybrid Converge Hub in Singapore to broaden the Group's source of revenue; and
- Developing Netsis Security Hub in Hong Kong to broaden the Group's source of revenue.

SALES AND CUSTOMERS

The Group derives majority of its revenue from the provision of project based cyber infrastructure solutions and cyber security solutions. The Group also derives revenue from the provision of maintenance and support services which is recurring in nature. The following table sets out a breakdown of the Group's revenue by business during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%	US\$'000	%
Cyber infrastructure solutions	879	36.0	2,007	54.0	3,199	56.8
Cyber security solutions	1,521	62.2	1,592	42.9	2,068	36.7
Maintenance and support services	43	1.8	116	3.1	368	6.5
Total	2,443	100.0	3,715	100.0	5,635	100.0

The customers of the Group's cyber infrastructure solutions business mainly include telecommunications service providers, ISPs, IT companies and manufacturing companies. The customers of the Group's cyber security solutions business are channel partners. The end users of the Group's cyber security solutions are customers of channel partners from public sector.

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The following table sets out a breakdown of the Group's revenue during the Track Record Period attributable to public and private sector projects based on end users:

	Year ended 31 December					
	2014		2015		2016	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
Public Sector	1,521	62.2	1,598	43.0	2,068	36.7
Private Sector						
— ISPs and telecommunications . . .	670	27.4	1,408	37.9	2,345	41.6
— Manufacturing	130	5.3	492	13.3	215	3.8
— Construction	—	—	130	3.5	199	3.5
— IT	4	0.2	13	0.3	320	5.7
— Banking and insurance	85	3.5	3	0.1	127	2.3
— Others	33	1.4	71	1.9	361	6.4
	<u>922</u>	<u>37.8</u>	<u>2,117</u>	<u>57.0</u>	<u>3,567</u>	<u>63.3</u>
Total	<u>2,443</u>	<u>100.0</u>	<u>3,715</u>	<u>100.0</u>	<u>5,635</u>	<u>100.0</u>

For the years ended 31 December 2014, 2015 and 2016, the percentage of revenue contributed by the largest customer amounted to approximately 29.0%, 14.1% and 32.2%, respectively, while the percentage of revenue contributed by the five largest customers in aggregate amounted to approximately 84.2%, 52.6% and 64.3%, respectively. Save for Customer E, all of the Group's five largest customers during the Track Record Period were Independent Third Parties.

The following table sets out the breakdown of the Group's revenue by geographical regions of end users of the Group's solutions during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
Geographical locations						
Asia Pacific Region						
Southeast Asia						
— Indonesia	314	12.9	213	5.7	66	1.2
— Laos	224	9.2	30	0.8	20	0.4
— Malaysia	664	27.2	660	17.8	676	12.0
— Myanmar	808	33.1	1,148	30.9	221	3.9
— Philippines	—	—	86	2.3	1,830	32.4
— Singapore	104	4.2	846	22.8	1,280	22.7
— Thailand	—	—	530	14.3	732	13.0
— Vietnam	—	—	—	—	46	0.8
	<u>2,114</u>	<u>86.6</u>	<u>3,513</u>	<u>94.6</u>	<u>4,871</u>	<u>86.4</u>
East Asia						
— Hong Kong	4	0.1	4	0.1	5	0.1
— South Korea	275	11.3	—	—	176	3.1
— Taiwan	—	—	198	5.3	578	10.2
	<u>279</u>	<u>11.4</u>	<u>202</u>	<u>5.4</u>	<u>759</u>	<u>13.4</u>
Other Regions						
— Germany	50	2.0	—	—	—	—
— Romania	—	—	—	—	2	0.1
— US	—	—	—	—	3	0.1
	<u>50</u>	<u>2.0</u>	<u>—</u>	<u>—</u>	<u>5</u>	<u>0.2</u>
Total	<u>2,443</u>	<u>100.0</u>	<u>3,715</u>	<u>100.0</u>	<u>5,635</u>	<u>100.0</u>

A majority of end users of the Group's solutions are located in emerging markets such as Laos and Myanmar. During the Track Record Period, approximately 82.4%, 71.8% and 63.7% of the Group's revenue for the years ended 31 December 2014, 2015 and 2016, respectively were derived from end users from these emerging markets.

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PROCUREMENT AND SUPPLIERS

The key suppliers of the Group are the resellers of telecommunications equipment manufacturers, IT hardware manufacturers and software developers. The products supplied to the Group include storage, servers, network equipment, network processor platform and various softwares. The Group has established and maintained a good relationship with a network of suppliers, some of whom the Group has worked with for over 14 years.

For the years ended 31 December 2014, 2015 and 2016, the percentage of purchases attributable to the largest supplier of the Group amounted to approximately 31.0%, 11.9% and 23.6%, respectively, while the percentage of purchases attributable to the five largest suppliers of the Group in aggregate amounted to approximately 74.4%, 47.9% and 74.9%, respectively. All of the Group's five largest suppliers during the Track Record Period were Independent Third Parties.

RESEARCH AND DEVELOPMENT

The Group is a technology-focused enterprise committed to developing innovative technology. The Group set up Expert Team (Singapore) in 2012 and GET (Malaysia) in 2015 to carry out research and development of its cyber security technology and solutions.

The Group's R&D team comprises a group of professionals with varied backgrounds. The R&D team has developed the Group's IRGO core engine and RTPR technology. The IRGO core engine and RTPR technology subsequently formed the basis for development of the Group's 3i System and its supporting suite of systems, which are the Group's key cyber security products. As at the Latest Practicable Date, the Group's R&D team comprised 12 staff, all of whom had attained tertiary education and approximately 25% held a master's degree.

As at the Latest Practicable Date, the Group had filed:

- a patent application in Singapore for the grant of patent for systems and methods for intercepting, filtering and blocking content from internet in real time developed by the Group relating to the Group's 3i-Web System;
- one international patent application under the PCT for the grant of patent for systems and methods for intercepting, filtering and blocking content from internet in real time developed by the Group relating to the Group's 3i-Web System;
- one international patent application under the PCT for the grant of patent for systems and methods for detecting, intercepting and taking over control of multiple rogue drones simultaneously developed by the Group relating to the Group's 3i-Anti Drone Solutions; and
- one international patent application under the PCT for the grant of patent for mechanism in decoding and reconstructing network packets in real time developed by the Group relating to the Group's RTPR technology.

SUMMARY OF FINANCIAL INFORMATION

The following tables set out the combined financial information of the Group for each of the years ended 31 December 2014, 2015 and 2016 as derived from the Accountants' Report in Appendix I to this document.

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Summary of combined statements of profit or loss and other comprehensive income

The following table sets out selected profit or loss data from the Group's combined statements of profit or loss and other comprehensive income:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Revenue	2,443	3,715	5,635
Profit before income tax	1,371	1,375	1,411
Profit for the year	1,363	1,350	1,276
Total comprehensive income for the year	<u>1,363</u>	<u>1,350</u>	<u>1,276</u>
Gross operating profit ⁽¹⁾	<u>1,940</u>	<u>2,258</u>	<u>3,339</u>

Note:

- (1) Gross operating profit is derived by deducting cost of inventories sold, subcontracting costs and acquired warranty costs from the Group's revenue for the relevant financial year. The subcontracting costs and acquired warranty costs are included in "Other operating expenses".

The Group's revenue increased by approximately US\$1,272,000 or 52.1% from approximately US\$2,443,000 for the year ended 31 December 2014 to approximately US\$3,715,000 for the year ended 31 December 2015. The increase was mainly driven by the growth in the Group's cyber infrastructure solutions business, which in turn was mainly due to an increase in a number of cyber infrastructure solutions projects in Singapore and an increase in demand for the cyber infrastructure solutions in Myanmar. The Group's revenue increased by approximately US\$1,920,000 or 51.7% from approximately US\$3,715,000 for the year ended 31 December 2015 to approximately US\$5,635,000 for the year ended 31 December 2016. The increase was contributed by both cyber infrastructure solutions and cyber security solutions business. The increase in revenue from cyber infrastructure solutions business was mainly contributed by two cyber infrastructure solutions projects with large contract sum from a customer in ISPs and telecommunications industry in the Philippines. The increase in revenue from cyber security solutions was mainly due to the increase in system and software upgrade projects from existing customers in 2016.

The following table sets out a breakdown of the Group's business segments' gross operating profit margin by business segments during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
The Group			
Gross operating profit margin ⁽¹⁾	79.4%	60.8%	59.3%
— Cyber Infrastructure Solutions			
Gross operating profit margin	46.9%	45.5%	31.9%
— Cyber Security Solutions			
Gross operating profit margin	98.2%	79.3%	98.6%
— Maintenance and Support Services			
Gross operating profit margin	81.4%	70.7%	75.5%

Note:

- (1) Gross operating profit margin is derived by dividing the gross operating profit of the Group or its business segments for a financial year by the Group's or its business segments' revenue for the financial year, expressed as a percentage.

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The Group's gross operating profit margin decreased from approximately 79.4% for the year ended 31 December 2014 to approximately 60.8% for the year ended 31 December 2015, mainly due to the decrease in the gross operating profit margin of cyber security solutions business as a result of a lower margin sale of hardware for 3i System to a customer who previously purchased only software of 3i System from the Group for installation in its own system. The Group's gross operating profit margin remained stable at approximately 60.8% for the year ended 31 December 2015 and approximately 59.3% for the year ended 31 December 2016.

Summary of combined statements of financial position

The following table sets out selected data from the Group's combined statements of financial position as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Non-current assets	295	565	574
Current assets	2,035	2,779	5,452
Current liabilities	318	447	565
Non-current liabilities	2	17	82
Net current assets	1,717	2,332	4,887
Total equity	2,012	2,880	5,379

The Group's non-current assets represent mainly intangible assets which are development costs capitalised for development of the Group's cyber security technology. During the Track Record Period, the Group's net current assets was in an increasing trend which was mainly due to the increase in bank balances and cash and the increase in the trade and other receivables resulting from the expansion of the Group's business, as well as capital injection from the [REDACTED] Investment by the Strategic Investor on 30 June 2016 and incurrence of prepaid [REDACTED] expenses. The growth in the Group's total equity during the Track Record Period was primarily due to continuous accumulation of the Group's net profit and capital injection by the Strategic Investor pursuant to the [REDACTED] Investment.

Summary of combined statements of cash flows

The following table sets out selected cash flow data from the Group's combined statements of cash flow for the financial years indicated:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Operating cash flows before movements in working capital and taxes paid ⁽¹⁾	<u>1,490</u>	<u>1,587</u>	<u>1,727</u>
Net cash from operating activities	516	1,223	1,051
Net cash used in investing activities	(82)	(482)	(325)
Net cash (used in) from financing activities	<u>(4)</u>	<u>(480)</u>	<u>1,223</u>
Net increase in cash and cash equivalents	<u>430</u>	<u>261</u>	<u>1,949</u>

Note:

- (1) The Group's operating cash flows before movements in working capital and taxes paid during the Track Record Period included the cash flow generated from (i) offering for sale certain models of router without the Telecommunication Dealer's Individual Licence or the Telecommunication Dealer's Class Licence amounted to approximately US\$6,000, US\$2,000 and US\$13,000 for the year ended 31 December 2014, 2015 and 2016, respectively; and (ii) selling 3i Filer Systems and 3i Tactical System in 12 instance without the Security Service Provider Licence amounted to approximately US\$702,000, US\$199,000 and US\$228,000 for the year ended 31 December 2014, 2015 and 2016, respectively.

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For details, please refer to the section headed “Financial Information — Liquidity and capital resources — Cashflow” in this document.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the financial years or as of the dates indicated:

	As at 31 December		
	2014	2015	2016
Current ratio	6.4	6.2	9.6
Quick ratio	6.3	6.1	9.5
Gearing ratio	N/A	N/A	N/A
Net debt-to-equity ratio	Net cash	Net cash	Net cash

	Year ended 31 December		
	2014	2015	2016
Return on equity	67.8%	46.9%	23.7%
Return on assets	58.5%	40.4%	21.2%

For more details, please refer to the section headed “Financial Information — Key Financial Ratios” in this document.

SHAREHOLDER INFORMATION AND SHARE OPTION SCHEME

Controlling Shareholders

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), the Company will be owned as to [REDACTED] by Alpha Sense (BVI) which is owned as to 100% by Mr. Foo, [REDACTED] by Mr. Hoo through Future Way (BVI) and [REDACTED] by Vantage Network (BVI). As Alpha Sense (BVI) and Mr. Foo are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company immediately following the [REDACTED], each of Alpha Sense (BVI) and Mr. Foo shall be regarded as a Controlling Shareholder under the [REDACTED]. For further details, please refer to the sections headed “Relationship with Controlling Shareholders — Controlling Shareholders” and “Substantial Shareholders” in this document.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on [●] 2017. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document.

[REDACTED] Investment

On 30 June 2016, the Company, Vantage Network (BVI), Alpha Sense (BVI), Cyber Pioneer (BVI) and Future Way (BVI) entered into a share subscription agreement, pursuant to which Vantage Network (BVI) agreed to subscribe for and the Company agreed to allot and issue [REDACTED] Shares, representing [REDACTED]% of the Company’s issued share capital before completion of the [REDACTED] and the [REDACTED], for an aggregate subscription price of US\$1,200,000 (or its equivalent in Hong Kong dollars of HK\$9,360,000) which was fully settled by Vantage Network (BVI) in Hong Kong dollar on 30 June 2016.

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Pursuant to the [REDACTED] investment, Vantage Network (BVI) has become the Company’s shareholder. Vantage Network (BVI) is an investment holding company incorporated in the BVI with limited liability on 18 May 2016 and is wholly owned by Vast Mega Limited, an investment holding company incorporated in the BVI with limited liability which is in turn wholly owned by China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange since 28 August 2009, which together with its subsidiaries are principally engaged in operating (i) the prepaid cards and internet payment business in the PRC; (ii) prestige benefits program business which involves the design, sale and management of benefits packages to bank and card issuing organisations which in turn offer the packages to their own premium members of cardholders in the PRC; (iii) the cross-border e-commerce solution business in Hong Kong and the PRC; and (iv) the card acceptance business in Thailand. For more details, please refer to the section headed “History, Reorganisation and Corporate Structure — [REDACTED] Investment” in this document.

MARKET AND COMPETITION

According to the Industry Report, the cyber infrastructure solutions market in Southeast Asian countries is highly competitive as there are a few thousands of active players in this market. The top 5 cyber infrastructure solution providers in this market accounted for approximately 53.4% of total market size of approximately US\$2,513.4 million in 2015. The competitors of the Group in the provision of cyber infrastructure solutions mainly are cyber infrastructure equipment suppliers and their channel partners suppliers. The internet content management market in Southeast Asian countries is fragmented with more than 50 active players with a total market size of approximately US\$121.0 million in 2015. The existing players that provide cyber security solutions mainly are developers of cyber security software or equipment and their channel partners. The Group’s market share in the cyber infrastructure solution market in Southeast Asian countries was approximately 0.08% in 2015, and its market share in respect of internet content management in Southeast Asian countries was approximately 1.3% in 2015. For further information, please refer to the section headed “Industry overview — Competitive Landscape” in this document.

RISK FACTORS

The Group believes that there are certain risks involved in its operations, many of which are beyond its control. These risks can be categorised into: (i) risks related to the Group’s business; (ii) risks related to the industry in which the Group operates; (iii) risks related to the [REDACTED]; and (iv) risks related to statements in this document. Some of the key risks include:

- Failure to anticipate and respond to changes in technologies or needs could harm the Group’s business.
- The Group is dependent on its key management personnel for its operations, profitability and prospects.
- Third parties may claim that the Group is infringing their intellectual property rights, and the Group could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of its solutions if these claims are successful.
- Changes in project mix may have an impact on the Group’s gross operating profit margin.

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- The Group derived its revenue mainly from public sector and ISPs and telecommunications sector projects. If there are any major changes in these sectors in the markets where the Group operates, or if the users in these sectors cease to use the Group’s solutions, the Group’s business, financial condition and results of operation may be materially and adversely affected.
- The Group’s business comprises project-based contracts and the Group may be unable to secure new contracts.
- The Group is exposed to credit risk of its customers if it experiences significant delays in collecting trade receivables from its customers which could adversely affect its cash flow.

For a more comprehensive list of risk factors and explanations, please refer to the section headed “Risk Factors” in this document.

REASONS FOR [REDACTED] IN HONG KONG

The Directors consider that an ideal venue for [REDACTED] of the Shares is a stock exchange that can provide an access to international investors and an indirect complimentary advertising to raise the Group’s publicity at an international level. Hong Kong is an internationally recognised financial centre with a number of traditional competitive edges, such as its sound legal system and regulatory framework, established international and institutional investor base, deep secondary funding platform, as well as sound liquidity of the securities of Hong Kong listed companies. As such, the Directors believe that [REDACTED] on the Stock Exchange would be beneficial to the Group to (i) raise funds from international investors in order to optimise the shareholder base; (ii) raise funds speedily for the Group’s continuous developments after the [REDACTED] in order to maximise shareholders’ value; and (iii) promote its business to the potential customers in Southeast Asia who generally prefer the service provider being listed on an internationally recognised stock market given their reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies.

In addition to the above-mentioned competitive edges, the unique role of Hong Kong as a gateway to China makes the Hong Kong stock market an ideal platform for listed issuers to achieve exposure in the rapidly growing Mainland Chinese market, and a platform allowing listed issuers to leverage on the multitude of opportunities offered by the escalating Chinese economy. The Directors believe that [REDACTED] on the Stock Exchange would be particularly beneficial to the Group’s business expansion in China, as well as providing the Group access to the unreachable Chinese investors.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumption that (i) the [REDACTED] has been completed and [REDACTED] Shares are newly allotted and issued by the Company pursuant to the [REDACTED]; (ii) the [REDACTED] is not exercised; and (iii) [REDACTED] Shares are issued and outstanding upon completion of the [REDACTED].

	Based on minimum [REDACTED] of [REDACTED] per [REDACTED]	Based on maximum [REDACTED] of [REDACTED] per [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

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[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised and the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] stated in this document, the [REDACTED] expenses, which are non-recurring in nature and to be borne by the Group are estimated to be approximately US\$[REDACTED] (equivalent to approximately HK\$[REDACTED]) of which approximately US\$[REDACTED] (equivalent to approximately HK\$[REDACTED]) were charged to the Group's profit and loss during the Track Record Period. The remaining amount of approximately US\$[REDACTED] (equivalent to approximately HK\$[REDACTED]) will be charged to the Group's profit and loss for the year ending 31 December 2017, and approximately US\$[REDACTED] (equivalent to approximately HK\$[REDACTED]) of its estimated [REDACTED] expenses is directly attributable to the issue of the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard after [REDACTED]. Such [REDACTED] expenses represent professional fees, [REDACTED] commission and other fees incurred in connection with the [REDACTED] and the [REDACTED]. The [REDACTED] expenses stated above are the current estimation for the purpose of reference and the actual amount of [REDACTED] expenses to be recognised is subject to adjustments based on audit and changes in variable and assumptions. [REDACTED] should note that the financial performance of the Group for the year ending 31 December 2017 would be materially and adversely affected by the [REDACTED] expenses mentioned above.

USE OF [REDACTED]

The Group estimates the gross [REDACTED] from the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range, will be HK\$[REDACTED] million, assuming that the [REDACTED] is not exercised at all. After deducting [REDACTED] commission and related expenses of approximately HK\$[REDACTED] million, the [REDACTED] will be approximately HK\$[REDACTED] million, assuming that the [REDACTED] is not exercised at all.

The Directors presently intend that the [REDACTED] will be applied as follows:

- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), for acquiring the property as the Group's headquarters and R&D centre in Singapore and upgrading the Group's R&D facilities;
- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), for expanding product lines by developing new products, upgrading the Group's existing products and strengthening the Group's R&D team;
- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), for expanding the Group's sales and marketing team and establishing regional offices;
- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), for developing Netsis Hybrid Converge Hub in Singapore to broaden the Group's revenue;
- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), for developing Netsis Security Hub in Hong Kong to broaden the Group's revenue; and

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- approximately [REDACTED]% of the [REDACTED] or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) for the working capital of the Group.

DIVIDENDS

During the Track Record Period, the Group has declared and paid dividends in the amount of US\$480,000 for the year ended 31 December 2015. As at the Latest Practicable Date, the Group has not adopted any dividend policy. Dividends to be declared and paid in the future will be subject to the Directors' discretion and will depend on the Group's financial conditions, results of operations, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that the Directors may consider relevant. Accordingly, the historical dividends of the Group should not be treated as an indication of the future dividend policy of the Group. The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group continued its focus on the provision of cyber infrastructure and cyber security solutions. The Group's business model remained unchanged and the number of the Group's channel partners remained stable since 31 December 2016. Southeast Asia remained the principal market of the Group. In February 2017, the Group has entered into a contract relating to the provision of its cyber security solutions in Malaysia for a contract sum of approximately US\$3.2 million.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that up to the date of this document, there has been no material adverse change in the Group's financial or trading position since 31 December 2016 and no event had occurred since 31 December 2016 which would materially affect the information shown in the Group's financial information included in the Accountants' Report set out in Appendix I to this document.

BUSINESS IN A SANCTIONED COUNTRY

During the Track Record Period, the Group made sales of US-origin items to a limited number of customers located in Myanmar, a Sanctioned Country. Myanmar is a Sanctioned Country on the basis that during the Track Record Period it was targeted by (i) International Sanctions adopted, administered and enforced by the Government of Australia, (ii) an arms embargo adopted, administered and enforced by the European Union and (iii) International Sanctions adopted, administered and enforced by the Government of the US. Towards the end of the Track Record Period in October 2016, the President of the US revoked the US Executive Orders targeting Myanmar and waived other statutory blocking and financial sanctions on Myanmar. However, a number of persons located in Myanmar remain on OFAC's SDN List. The amount of total revenue generated from sales of both US and non-US origin items to customers from the Sanctioned Country for the years ended 31 December 2014, 2015 and 2016 was approximately US\$808,000, US\$1,148,000 and US\$221,000, respectively, representing approximately 33.1%, 30.9% and 3.9% of the Group's total revenue for the same years, respectively. As advised by DLA Piper UK LLP, the Group's direct dealings with Myanmar during the Track Record Period are activities that do not breach any International Sanctions measures that apply to the Group. Given the scope of the [REDACTED] and the expected use of [REDACTED] from the [REDACTED], the involvement by parties in the [REDACTED] will not, directly or indirectly, implicate International Sanctions on such parties, including any member of

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the Group, its directors and employees, investors and shareholders as well as the Stock Exchange, the HKSCC, the HKSCC Nominees and SFC. For details, please refer to the section headed “Business — Business in a Sanctioned Country” of this document.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group had not fully complied with certain laws and regulations. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on the Group’s financial and operational aspects. Please refer to the section headed “Business — Non-Compliance Incidents” of this document for detailed information of these non-compliance incidents.