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" and "Glossary of Technical Terms" 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 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 collected 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;
- 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 and establishing a R&D centre in Singapore to accommodate additional functions and facilities as well as additional staff members through the proposed acquisition of a property in Singapore and upgrading the Group's R&D facilities. The Group plans to establish a testing centre, demonstration laboratory and training centre in its new headquarters and R&D centre;
- Expanding product lines by developing new cyber security products including 3i-Web System, 3i-Anti Drone (UAV) Solutions as well as Analytics and Correlation Solutions, upgrading the Group's existing products by enhancing the features of the products for the Group to remain competitive and strengthening the Group's R&D team through recruiting additional skilled and experienced software engineers;
- Expanding the Group's sales and marketing team, expanding cyber security solutions business into Europe and Middle East & Africa region through establishing regional offices in Frankfurt, Germany and Dubai, UAE and developing cyber infrastructure solutions business in the PRC through establishing an office tentatively in Shanghai and setting up branch offices at high demand regions in other parts of the PRC;
- Setting up its own cyber infrastructure, known as Netsis Hybrid Converge Hub in Singapore to provide the users secured connectivity by linking enterprises to cloud-based service providers directly or through cloud. It is expected to generate non-project based revenue for the Group; and
- Developing its own cyber infrastructure, known as Netsis Security Hub in Hong Kong to target customers in the Greater China region for the purposes of providing cloud-based security services. The Netsis Security Hub is expected to generate non-project based revenue for the Group.

For further details, please refer to the section headed "Business — Business Strategies" in this document.

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. During the Track Record Period, the revenue contributed by the Group's cyber infrastructure solutions business increased from approximately 36.0% in 2014 to 56.8% in 2016 of the Group's total revenue, however, the revenue contributed by the Group's cyber security solutions business decreased from approximately 62.2% in 2014 to 36.7% in 2016 of the Group's revenue. Notwithstanding the percentage of revenue from cyber infrastructure solutions business increased during the Track Record Period and the percentage of revenue from cyber security solutions decreased during the Track Record Period, the Directors confirm that there was no intentional shift in business focus from cyber security solutions business to cyber infrastructure solutions business, and there is no current plan for the Group to shift its business focus to cyber infrastructure solutions business after [REDACTED]. The Group will continue to develop both of its cyber infrastructure solutions and cyber security solutions businesses. Please refer to the section headed "Business — Business Strategies" in this document for details of the Group's business strategies.

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	% of total	Revenue	% of total	Revenue	% of total
	US$'000	%	US$'000	%	US$'000	%
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
	922	37.8	2,117	57.0	3,567	63.3
Total	2,443	100.0	3,715	100.0	5,635	100.0

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	% of total	Revenue	% of total	Revenue	% of total
	US$'000	%	US$'000	%	US$'000	%
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
	2,114	86.6	3,513	94.6	4,871	86.4
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
	279	11.4	202	5.4	759	13.4
Other Regions						
— Germany	50	2.0	—	—	—	—
— Romania	—	—	—	—	2	0.1
— US	—	—	—	—	3	0.1
	50	2.0	—	—	5	0.2
Total	2,443	100.0	3,715	100.0	5,635	100.0

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. For details of the risk relating to the Group's sales to emerging markets, please refer to the section headed "Risk Factors — Risk related to the Group's Business — The Group may be affected by political, legal and economic situations in emerging markets" in this document.

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 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 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 3i-Anti Drone (UAV) 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 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.

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	1,363	1,350	1,276

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. 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.

Gross operating profit and gross operating profit margin

The following table sets out the gross operating profit of the Group during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US$'000	US$'000	US$'000
Revenue	2,443	3,715	5,635
Cost of inventories sold	(495)	(1,423)	(2,122)
Staff costs	(192)	(364)	(797)
Depreciation and amortisation	(115)	(212)	(316)
Subcontracting costs	—	—	(84)
Acquired warranty costs	(8)	(34)	(90)
Gross operating profit(1)	1,633	1,682	2,226

Note:

(1) Gross operating profit is derived by deducting cost of inventories sold, staff costs, depreciation and amortisation, subcontracting costs and acquired warranty costs, from the revenue for the relevant financial year. The staff costs include mainly the costs of staff who perform various functions within the Group including sales, procurement and project implementation under cross-functional model. The subcontracting costs and acquired warranty costs are included in "Other operating expenses".

The major costs of the Group in arriving at the gross operating profits comprise cost of inventories sold, staff costs, depreciation and amortisation, subcontracting costs and acquired warranty costs (the "**Operating Costs**"). During the Track Record Period, the cost of inventories sold and the staff costs are the largest two components of the Operating Costs. The costs of inventories sold accounted for approximately 61.1%, 70.0% and 62.2% of the Group's Operating Costs for the years ended 31 December 2014, 2015 and 2016, respectively. The staff costs accounted for approximately 23.7%, 17.9% and 23.4% of the Group's Operating Costs for the years ended 31 December 2014, 2015 and 2016, respectively. The increase in costs of inventories sold and staff costs were generally in line with increase in the Group's revenue during the Track Record Period.

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

	Year ended 31 December		
	2014	2015	2016
The Group			
Gross operating profit margin(1)	66.8%	45.3%	39.5%
— Cyber Infrastructure Solutions			
Gross operating profit margin(1)	42.9%	38.1%	20.4%
— Cyber Security Solutions			
Gross operating profit margin(1)	80.3%	52.5%	62.6%
— Maintenance and Support Services			
Gross operating profit margin(1)	81.4%	70.7%	75.5%

Note:

(1) Gross operating profit margin is derived by dividing the gross operating profit by the revenue for the relevant financial year, expressed as a percentage.

The Group's gross operating profit margin decreased from approximately 66.8% for the year ended 31 December 2014 to approximately 45.3% 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 in 2014.

The Group's gross operating profit margin further decreased from approximately 45.3% to approximately 39.5% for the year ended 31 December 2016, mainly due to the fact that decrease in the gross operating profit margin of cyber infrastructure solutions business was partially offset by increase in gross operating profit margin of cyber security solutions business. The decrease in the gross operating profit margin of cyber infrastructure solutions business was primarily due to (i) the increase in proportion of revenue from cyber infrastructure solutions projects with more hardware components involved; and (ii) the subcontracting costs for engaging a local subcontractor being incurred for carrying out implementation works for a project in the Philippines in 2016. The gross operating profit margin of the Group's cyber security solutions business increased from approximately 52.5% for the year ended 31 December 2015 to approximately 62.6% for the year ended 31 December 2016. The lower gross operating profit margin for the year ended 31 December 2015 was mainly contributed by a low margin sale of hardware for 3i System to a customers who previously purchased only software of 3i System from the Group for installation in its own system. In 2016, the Group's sales comprised mainly sale of cyber security solutions with lesser hardware component involved as well as system and software upgrade.

For detailed analysis of the gross operating profit margin of the Group, please refer to the section headed "Financial Information — Gross operating profit and gross operating profit margin" in this document.

Income tax expenses

During the Track Record Period, the Group's effective tax rate for the years ended 31 December 2014, 2015 and 2016 was approximately 0.6%, 1.8% and 9.6%, respectively, which was significantly lower than the standard rate of Singapore and Malaysia corporate income tax due to tax incentives under the PIC Scheme launched by the Singapore government and income tax exemption under the "Pioneer Status" in Malaysia. Netsis (Singapore) started to receive tax incentives under the PIC Scheme from year of assessment 2013 (in respect of taxable income earned in the basis period from 1 January 2012 to 31 December 2012) and Expert Team (Singapore) started to receive tax incentives under the PIC Scheme from year of assessment 2014 (in respect of taxable income earned in the basis period from 15 August 2012 to 31 December 2013), and such scheme will lapse after year of assessment 2018 (in respect of taxable income earned in the preceding financial year). GET (Malaysia) has been granted with "Pioneer Status" under the Promotion of Investments Act 1986 with income tax exemption on eligible activities and products for an initial period of five years commencing on 18 November 2015, and subject to GET (Malaysia) submitting a formal request to the Malaysian Investment Development Authority on or prior to 17 October 2020 and upon the Ministry of International Trade and Industry confirming that GET (Malaysia) has been complying with all the applicable conditions as imposed, the tax relief period shall be extended for a further five years after the initial five-year tax relief period ends.

The aggregate amount of the tax incentives received by the Group under the PIC Scheme and the tax exemption under the "Pioneer Status" for the financial years ended 31 December 2014, 2015 and 2016 were approximately US$228,000, US$255,000 and US$266,000, respectively. Should the relevant tax incentive be not available to the Group, the profit for the year of the Group will be decreased to approximately US$1,135,000, US$1,095,000 and US$1,010,000 for the financial years ended 31 December 2014, 2015 and 2016, respectively.

For further details of the tax incentives, please refer to the sections headed "Regulatory Overview — Singapore Laws and Regulations", "Regulatory Overview — Malaysian Laws and Regulations", "Financial Information — Description of selected items from the Group's combined statements of profit or loss and other comprehensive income — Income tax expenses" and "Risk Factors — Risks related to the Group's business — The Group's performance may be affected by the grant or lapse of tax exemptions" in this document.

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	2,010	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 receivables resulting from the expansion of the Group's business, as well as capital injection from the [REDACTED] Investment, which was completed on 30 June 2016. The Group's bank balances and cash were approximately US$0.79 million, US$1.05 million and US$3.00 million as at 31 December 2014, 2015 and 2016, respectively. 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)	1,490	1,587	1,727
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	(4)	(480)	1,223
Net increase in cash and cash equivalents	430	261	1,949

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 of certain models of router without the Telecommunication Dealer's Individual Licence or the Telecommunication Dealer's Class Licence which amounted to approximately US$6,000, US$2,000 and US$13,000 for the years ended 31 December 2014, 2015 and 2016, respectively; and (ii) selling 3i-Filter Systems and 3i-Tactical System in 12 instances without the Security Service Provider Licence which amounted to approximately US$702,000, US$199,000 and US$228,000 for the years ended 31 December 2014, 2015 and 2016, respectively.

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 any 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 GEM Listing Rules. For further details, please refer to the sections headed "Relationship with Controlling Shareholders — Controlling Shareholders" and "Substantial Shareholders" in 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$[REDACTED] (or its equivalent in Hong Kong dollars of HK$[REDACTED]) which was fully settled by Vantage Network (BVI) in Hong Kong dollar on 30 June 2016.

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 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 — Pre-[REDACTED] Investment" in this document.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 31 May 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.

MARKET AND COMPETITION

According to the Industry Report, the cyber infrastructure solutions market in Southeast Asian countries is highly competitive as there are thousands of active players in this market. The top 5 cyber infrastructure solution providers in this market accounted for approximately 54.6% of total market size of approximately US$2,616.4 million in 2016. 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$150.9 million in 2016. 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 0.12% in 2016, and its market share in respect of internet content management in Southeast Asian countries was approximately 1.4% in 2016. 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.
- The Group may be affected by political, legal and economic situations in emerging markets.
- Changes in project mix may have an impact on the Group's gross operating profit margin.
- 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 as 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. The Directors believe that one of the factors which customers would consider in selecting a service provider is whether its shares are listed on an internationally recognised stock exchange. According to the Industry Report, the key industry players in each of the cyber infrastructure solutions market and the cyber security solutions market are either listed on, or belong to a group of holding company of which is listed on, an internationally recognised stock exchange. Accordingly, the Directors consider that potential customers would prefer service providers which are listed on an internationally recognised stock market given corporate transparency, public financial disclosures, higher standard of corporate governance and general regulatory supervision by relevant regulatory bodies. As such, the Directors believe that [REDACTED] on the Stock Exchange can help the Group compete against its competitors.

In addition, the unique role of Hong Kong as a gateway to China makes the Hong Kong stock market an ideal platform for listed issuers to access to the otherwise unreachable Chinese investors, by offering them investment opportunities, 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, being one of the internationally recognised stock exchange that is closest and most accessible to China, would be particularly beneficial to the business expansion plan of the Group in China as the [REDACTED] status of the Company would enhance its corporate image before its potential customers in the PRC. For details of the Group's business expansion plan in China, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — [REDACTED] Investment — Details of the [REDACTED] Investment".

[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]; and (ii) [REDACTED] Shares are issued and outstanding upon completion of the [REDACTED].

	Based on minimum [REDACTED] of HK$[REDACTED] per [REDACTED] Share	**Based on maximum [REDACTED] of HK$[REDACTED] per [REDACTED] Share**
[REDACTED]	HK$[REDACTED]	HK$[REDACTED]
[REDACTED]	HK$[REDACTED]	HK$[REDACTED]

[REDACTED] EXPENSES

Assuming 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].

USE OF [REDACTED]

The Group estimates the gross [REDACTED] from the [REDACTED] based on the [REDACTED] of HK$[REDACTED] per [REDACTED] Share, being the mid-point of the indicative [REDACTED] range, will be HK$[REDACTED]. After deducting [REDACTED] commission and related expenses of approximately HK$[REDACTED] million, the net [REDACTED] will be approximately HK$[REDACTED].

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

- approximately [REDACTED]% of the net [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 net [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 net [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 net [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 net [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
- approximately [REDACTED]% of the net [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. As at 31 December 2016 and the Latest Practicable Date, the Group had 7 Major Projects with total unfulfilled contract value of approximately US$364,000 and 7 Major Projects with total unfulfilled contract value of approximately US$4,371,000, respectively in its backlog. Revenue from those Major Projects was recognised or is expected to be recognised during the year ending 31 December 2017. As at the Latest Practicable Date, one of the cyber security solutions projects amongst the Major Projects with a contract sum of approximately US$3,200,000 comprised a significant portion of hardware components. Projects with larger portion of hardware components generally contributed lower gross operating profit to the Group. As such, if there is no material change in project mix and hardware component in subsequent new projects for the year ending 31 December 2017, it is expected that the Group’s gross operating profit margin for the year ending 31 December 2017 will be lower than that of the year ended 31 December 2016.

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

For details, please refer to the section headed “Business — Business in a Sanctioned Country” of this document.

US EXPORT AND RE-EXPORT CONTROLS

For details, please refer to the section headed “Business — Impact of US Re-Export Controls” of this document.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group had not fully complied with certain applicable 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.